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# BUDGET SPEECH

DELIVERED BY

*Douglas Charles*  
**HONOURABLE D. C. ABBOTT**

MINISTER OF FINANCE

MEMBER FOR ST. ANTOINE-WESTMOUNT

IN THE

HOUSE OF COMMONS

APRIL 29, 1947



OTTAWA  
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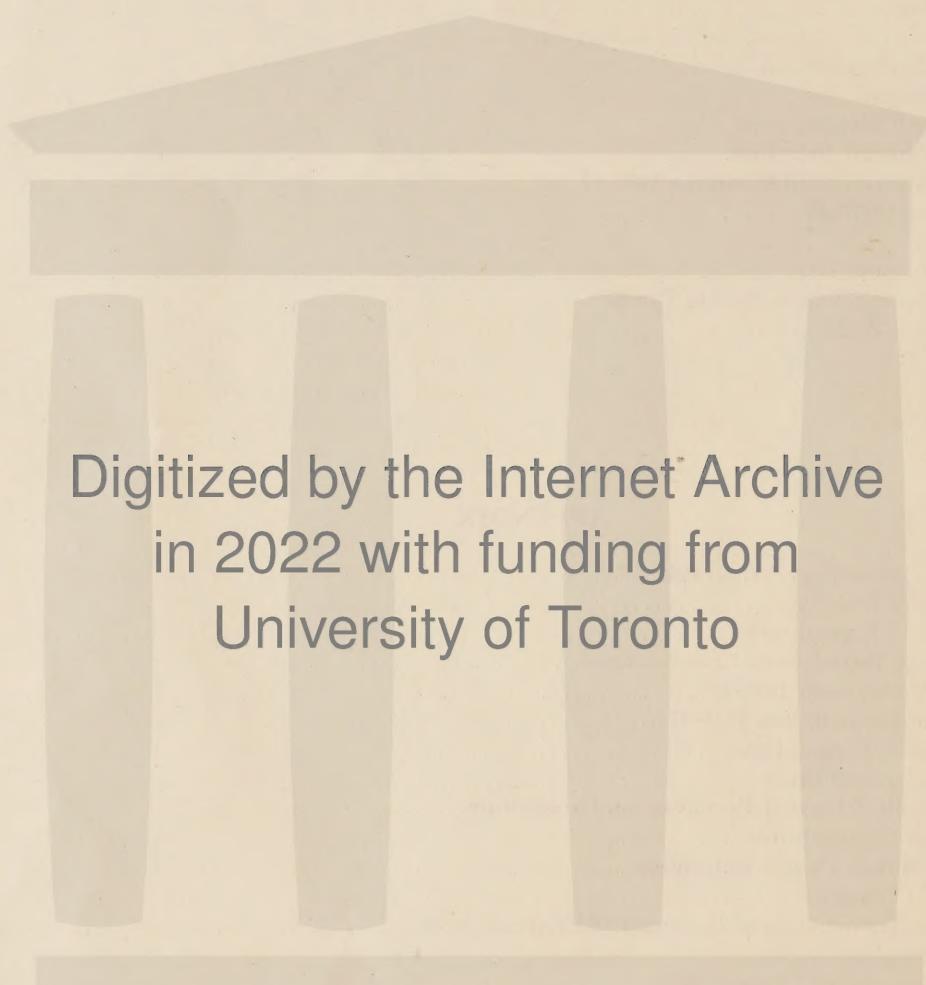


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# BUDGET SPEECH

DELIVERED BY

HON. D. C. ABBOTT  
MINISTER OF FINANCE

IN THE

HOUSE OF COMMONS, TUESDAY, APRIL 29, 1947

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## THE BUDGET

ANNUAL FINANCIAL STATEMENT OF THE  
MINISTER OF FINANCE

Hon. DOUGLAS ABBOTT (Minister of Finance) moved:

That Mr. Speaker do now leave the chair for the house to go into committee of ways and means.

### ECONOMIC REVIEW

He said: Mr. Speaker, It is my good fortune today to introduce a budget, the first for which I am responsible, under circumstances much more favourable than those of the recent past. Behind us are the huge and difficult budgets of the war years—highwater marks of achievement set by a Minister of Finance (Mr. Ilsley) whose name will long be remembered and honoured by his fellow Canadians—budgets which are evidence of what the Canadian people can do under the stimulus of war.

Today we have just ended a year in which our accounts show a surplus—a surplus larger than the accumulated total of all the previous surpluses in our history. Today we see a Canada enjoying a degree of prosperity never exceeded in living memory. We look forward to a year of high production and incomes. Indeed, we would appear to have ample excuse for self-satisfaction and easy optimism, if we took account only of our own immediate situation here at home. Our own position is favourable and encouraging, but beyond the Atlantic and the Pacific half the world works slowly and painfully to rebuild its ruins, and until much more progress has been made in both economic and political aspects of international affairs, we cannot afford to be complacent.

I do not propose to take the time to review in detail our present economic situation. Its main features are clear. Our available manpower is almost fully employed, with some surpluses in special areas and trades and equally real shortages in others. Demand continues to outrun supply in many lines of business. Our exports remain at high levels, limited in most cases only by our own ability to supply. Imports are pouring into the country from the south in large volume, without appearing to divert much demand from our own production. Private business is proceeding to expand, repair and improve its capital on a scale so large that its plans will be severely limited by scarcity of materials, equipment and labour.

Some increases in inventories are occurring but apparently not on a large scale, presumably because the pressure of demand in most cases is so excessive that neither producers nor dealers can keep ahead of it. Consumer purchasing continues to expand and there is as yet little sign in Canada of any widespread unwillingness or inability on the part of consumers to buy what is being offered to them. The demand for housing remains so great that the most strenuous efforts to meet it still leave a gap that can be filled only over a period of several years. Provincial governments and municipal authorities are making substantial expenditures to meet deferred maintenance and new public projects that were postponed during the war. In short, we are in a period of intense post-war activity, supported and fed from many quarters.

#### NATIONAL INCOME

The results of this are reflected in our national statistics. The most comprehensive of these are the figures for national income, gross national production, and national expenditures, which are prepared and published by the dominion bureau of statistics. I have arranged to have included in the printed appendix to the budget a number of tables of these interesting and useful statistics as well as several tables of other representative figures that bear upon the budget and the general state of our economy. The national income, production and expenditure totals for 1946, it will be noted, are only moderately below the record levels of the peak years of the war, which years of course reflected the temporary and abnormal intensity of effort to which the war gave rise.

In spite of all the problems of transition and reconstruction during the past year, despite the huge shifts in man-power and the widespread shortages and labour unrest, our production, income and expenditures remained at very high levels. The figure for gross national production exceeded the \$11 billion mentioned in last year's budget as a target which we might fail to reach because of interruptions to production. Examination of the table of national expenditures will show that there was a sharp decline during the year in government expenditures on goods and services but this was very largely offset by increased expenditures on plant, equipment and inventories on the part of private business, and by a very substantial increase in consumer expenditures. On the income side, there was a slight reduction in income from the peak level attained in 1945, but an increase in wages and salaries and in the income of individual businesses, reflecting chiefly a substantial increase in the net income of farmers which reached last year levels higher than even those of the war years.

#### PRICES

In this present period of prosperity, inflationary pressures continue at work, though on a scale reduced from previous years. We no longer have the huge war requirements of our own and other governments exerting a constant and almost irresistible force on prices and supplies. The upward pressure of costs is also less strong, and in many cases adjustments have already been made to higher cost levels during the past year. The first rush of returned servicemen and other consumers to buy whatever was available is now

subsiding and one can expect buyers to be more selective. On the other hand, of course, we must recognize that export demands for many products remain strong despite exchange difficulties of some of our customers. The huge expenditures of business on new plant, equipment, buildings and stock in trade now constitute in themselves a very potent inflationary pressure. Price levels in other countries, particularly the United States and Britain, are substantially higher than our own, and through both exports and imports they exert a strong upward thrust upon our prices which has only been partially offset by the readjustment last year of our exchange rate.

On balance, while there are still some inflationary forces to contend with, they are less powerful than in the past and not such as to interfere with the orderly decontrol of prices and supplies. I will not trespass here upon a subject already debated at length in this House this session, but I can and should say that in budgeting we must take into account the process and results of progressive decontrol.

#### ABNORMAL EXPENDITURES

In appraising our current situation we must also recognize the special and temporary character of much of the expenditure that is the stimulus to our present high level of income and production. Our war expenditures are largely finished, but there are many substantial expenditures such as those for veterans' benefits, which will diminish as time goes on. Much of the large expenditure of business on plant and equipment represents accumulated or postponed requirements and does not give us any reliable guidance as to what we may expect on a continuing basis, even under relatively prosperous conditions. Consumers, too, are probably still making purchases to meet accumulated needs that arose directly or indirectly out of the war, or are using extra wartime savings for special purposes, and consequently they are probably spending more and saving less than they normally would with incomes at present levels. So with our export sales as well; some of our largest customers are buying more from Canada, because of their abnormal needs at present and because other normal sources of supply are not available, than we can reasonably expect them to buy on a continuing basis. We must be prepared for reductions in some or all of these abnormal expenditures of various types in the not distant future, and we must be prepared for the changes and adjustments in our production necessary to fit it into a more permanent pattern.

Notwithstanding the temporary and special nature of some of these forces, it is encouraging to find that our present prosperity is largely based upon consumer and business expenditure as well as a high level of exports and can be expected to continue without any special expenditure made by the government for the purpose of sustaining it, whether by incurring deficits or otherwise. The demands for our production this year are so strong that I think we may legitimately make our budget plans in the expectation that our gross national product for this year, 1947, will exceed the estimated total of \$11.1 billion for 1946 and may amount to something close to \$12 billion, calculated at prices somewhat above those prevailing last year. Any such forecast in these uncertain and abnormal times is subject to a wide margin of possible error and to many qualifications. In particular, we must expect that the figure will be less than that I have mentioned, if a substantial recession should occur in the United States later this year.

One of the main supports of our current high level of production and income which is the result of special government action is, of course, our large volume of exports, financed in part by the loan to Britain and by export credits to France, Belgium, Holland and some other countries. These loans have been made to enable those who have been our customers in the past, and will be our customers in the future, to buy Canada's export products during this critical period when the world has been reconvert ing from war to peacetime production. These countries could not have bought from us on anything like this scale without such loans. It is very much in our interest that they should be able to buy during this period, not only as a means of getting our production and trade reestablished immediately, but also in order to assist these good customers and friendly countries to reestablish their own economic life on a satisfactory basis.

This export credit programme and the loan to Britain are, of course, essentially transitional measures. None of us contemplates a continuing, large-scale programme of government lending to finance our exports. We in Canada must count on the returns from our exports to pay for our imports and to pay our other bills abroad, including the service of our external debt. We have consequently had to limit the credits that we have granted and to request those countries borrowing from us to pay for part of their requirements in foreign exchange that we can use to buy our own imports. We have also recognized that those to whom we are lending must have such help as we can

give them in reestablishing and expanding their own export trade, so that they may continue to buy from us later and repay what we are now lending. Creditor countries must be prepared ultimately to accept repayment in goods and services. In the case of Canada, we are now a creditor of some countries and at the same time a debtor to the United States, and we must act and plan with both these facts in mind.

#### EXCHANGE SITUATION

During the past year the high level of Canadian production and income has led to a very high level of imports, as supplies became available in other countries, particularly in the United States. This large volume of imports has made possible a more rapid rise in our living standards, a speedier reconversion of our industry, and a more adequate supply of essential materials for our production than would otherwise have been achieved. Since supplies from many countries were not available, most of our imports have had to come from the United States and have had to be paid for in United States dollars at a time when our receipts of United States dollars from abroad were greatly reduced by the fact that many of our customers had to obtain credit for a substantial proportion of their purchases from us. The result, of course, has been that we have found it necessary to draw substantially upon large exchange reserves built up in the last years of the war and the first year after V-E day. We fully expected that it would be necessary to draw heavily upon those reserves, and this was made quite clear last summer when our exchange control legislation was before parliament. At that time highly tentative and conservative estimates were given of the possible drain on our reserves that might be expected, but these, I am afraid, were regarded in some quarters as exaggerated—they were treated in some quarters as a rather laboured attempt to justify exchange control, the necessity for which some were inclined to deny. Since that time, as the extent of our trade deficit with the United States has become apparent through the published trade statistics, there has developed a tendency to go to the other extreme, and many unfounded rumours have been put into circulation. In these circumstances I felt it was desirable to table yesterday, somewhat in advance of the time when I normally would have done so, the report of the foreign exchange control board for the year 1946, which gives a great many facts concerning our trade and international financial position for that year.

I need hardly say that hon. members will find that report worthy of careful study. It shows that our official holdings of gold and United States dollars declined during 1946 by \$263 million but that we still had a total of \$1,245 million at December 31 last. While we had a net favourable balance on current account of \$458 million with the world as a whole and one of \$954 million with all countries other than the United States, our current account balance with the latter country was adverse to the extent of \$603 million. This large current deficit with the United States was due in part to certain temporary factors, including the abnormal Canadian demands for United States goods and travel which we had largely done without for years, the filling up of empty shelves and warehouses, the high level of United States prices, the shortage of goods from alternative sources of supply and certain payments by the Canadian government for the purchase of military assets and equipment. But it would be a mistake to place too much emphasis on such special influences. The fact is that in any period in which we are enjoying high levels of production and high consumer incomes, Canada imports a great deal from the United States. In other words, our large adverse balance last year—and the continuing high level of imports—is to a very considerable extent the product of Canadian prosperity.

This point has a real bearing on the validity of the suggestion which is made in some quarters that it would have been better not to have restored the Canadian dollar to parity last July, and that the way to stop the drain on our United States dollar reserves is to reverse that action. This argument is based largely on pre-war conditions of unused capacity and limited demand that do not exist today. It seems to assume that exchange depreciation would restrict the flow of imports or increase the flow of exports. A large proportion of our imports from the United States, including for instance, such necessary products as coal, petroleum and raw cotton, would clearly not be affected at all, and under present conditions of shortages on the supply side and urgent and unsatisfied demands on the other, the effect on our volume of imports of, say, a 10 per cent change in the cost of most other import items would be very slight indeed. After all, the rise in prices in the United States which has occurred since last July has had no apparent effect in discouraging imports to this country. On the export side, too, the change in the exchange rate has had relatively little, if any, effect in reducing the amount of our exports, except possibly to some extent in the case of gold, and, indeed, the change may have actually increased our receipts of foreign exchange in

some cases as a result of adjustments in the prices obtained by our exporters. Our judgment on this matter has, I think, been confirmed by the action of many other governments. The exchange rates which they have selected and maintained indicate fairly clearly their view that under prevailing conditions of widespread shortages, limited supplies and urgent needs, the possibility of a country improving its exchange position by currency depreciation is extremely limited. Our return to parity last July was designed to relieve the pressure on our price ceilings and reduce the strong tendency to inflation in both prices and costs of production. Evidence of the contribution it has made in this direction is to be found in a comparison of the movements of prices in Canada and in the United States since last July, which can be seen in table VI in the appendix to this budget.

Another important point to which the foreign exchange control board's report calls attention is the extent to which the deficit in our accounts with the United States is offset by dollars or their equivalent received from other sources, including those countries to which we have granted credits. Last year we received \$237 million of gold and United States dollars as a result of transactions with countries other than the United States—chiefly the United Kingdom, France and other countries to which we had extended credits. This year we expect to receive substantially larger payments in convertible exchange from the United Kingdom and from a number of other countries. Since last January the United Kingdom has been paying us for a portion of its current Canadian requirements in sterling, which we can and do convert into United States dollars or other currencies we require.

Moreover, we have now reached the time when Canada may expect to benefit from the new international machinery which has been established during recent years to aid in international monetary and financial affairs. The recent commencement of operations of the international monetary fund may soon result in overseas countries providing us through the fund with cash or a source of cash. The international bank will very shortly be making its first loans. The additional United States dollars which these loans will provide should assist certain countries now borrowing from us to pay for a portion of their purchases here in United States funds.

#### TRADE AND TARIFF NEGOTIATIONS

Finally, as the house is no doubt aware, eighteen of the leading trading nations of the world are now engaged in Geneva in vitally

important trade and tariff negotiations. These discussions are intended to lead to substantial tariff reductions in the United States and elsewhere and to the establishment of an agreed code of behaviour between nations in the field of commercial policy and related matters. The ultimate objective of these negotiations is to make possible the restoration of multilateral trade on a large scale, which is the best possible basis for Canadian prosperity and stability.

I have referred to certain elements in our exchange situation and prospects which have helped, or will help, to meet the problem caused by our large, adverse balance with the United States. I have done so in order to give the house a balanced picture. No one would deny that, even after allowing for these favourable elements (of which I may say there has been no general knowledge or appreciation), Canada in common with practically all countries in the world, other than the United States, has a United States dollar problem. This is no new problem with us. In the course of the war, to go no further back than that, we had a United States dollar problem which in some ways was more difficult than what we have to-day. Indeed, we reached a point in the early stages of the war when our reserves were almost completely exhausted. But we quietly took constructive measures to deal with the situation and thus owing in part to our own efforts and in part to the cooperation of the United States we were able to master the problem. Not only did we meet all our requirements but we entered the current period with exchange reserves several times as large as at any previous period in our history.

In considering the present situation, it behoves us to maintain a reasonably balanced perspective. In terms of basic economic fundamentals Canada's international position is stronger to-day than at any previous time in our history. We emerged from the war with our productive apparatus not only completely unimpaired but enormously enlarged and strengthened. Our working force is larger, more highly skilled, and more fully employed than ever before. Our competitive position in world trade has been greatly improved as a result of our increased efficiency and the degree of control we have been able to exercise over inflationary rises in prices. Since the beginning of the war we have reduced our net international indebtedness by about thirty-five per cent, and this in spite of supplying huge quantities of goods to our allies on a gift or mutual aid basis. In 1946 we had a favourable balance in our current transactions with the world as a whole greater than that achieved in any previous year.

In this field of international trade and exchange, there are unquestionably problems which we must face and changing situations to which we must adjust ourselves. It will continue to be our policy to seek for constructive solutions to these problems in a straightforward, common-sense manner in collaboration with other nations.

#### DOMINION-PROVINCIAL RELATIONS

I believe the house is in general familiar with the main aspects of our negotiations with provincial governments during the past year, but perhaps I should not let this occasion pass without a few comments about this important problem of dominion-provincial relations.

The offer made by the dominion in the budget of last June was promptly accepted as a basis for negotiation by three provinces and later by several others. In the course of discussions with these provinces, which extended over several months, the original terms were subject to a number of modifications and the details of agreements embodying the necessary provisions to safeguard the interest of all parties were hammered out and agreed upon.

The modified formulae for determining the amount of the annual payments to be made to the various provinces were the product of a most intensive study of the whole problem and represent, I believe, the most successful attempt yet made to achieve equitable treatment of all provinces. They maintain intact the existing pattern of statutory subsidies which are the product of a long historical evolution and in the additional payments they represent a fair compromise between the two alternative methods of allocation, namely, fiscal need and taxability or tax potential—a fair compromise between the school of thought which believes in equal per capita payments and that which would base payments on the relative ability of the various provinces to raise revenues from the tax sources in question.

The stability of revenues assured by the guaranteed minimum payments represents one of the chief advantages of the plan to the adhering provinces. Their revenues will rise as their population and the gross national product rise but the assurance that regardless of fluctuations in the national income, regardless of whether the next few years bring a recession, provincial revenues will be supported by these large irreducible minimum payments is of particular value to them. Far from weakening their autonomy or sacrificing any of their constitutional rights, they have merely

found a method of utilizing one of these rights—the method of renting instead of cultivating a tax field—whereby they can assure this revenue at generous levels guaranteed against the risks of economic adversity and participating also in the profits of growth and prosperity. With this assurance of stable and rising revenues, they are for the first time in a position to plan with courage and confidence and a sense of real independence, programmes for the efficient discharge of their constitutional responsibilities.

The government of Canada looks forward to the day when the agreement of all or substantially all the provinces will make possible the achievement of the great national purposes which impelled the dominion to make its comprehensive proposals of August 1945. These include not only the elimination all across Canada of the evils of duplication and conflict in the fields of direct progressive taxation which have such important economic effects, but also the development of an efficient and flexible tax system designed to promote the expansion of employment and incomes, as well as a comprehensive programme for the co-operation of dominion and provincial governments in the field of public investment and social security.

Nevertheless, we do not ask any province to accept a tax agreement unless it believes such agreement to be in its own interest as well as that of the country as a whole. We did our best to shape the offer of last June in such a way as to make it possible and satisfactory for any province to remain out of the agreement if it wished to do so, and we would far prefer to have a province remain out indefinitely than to endeavour to persuade it to come in against its own judgment of where its true interests lie.

#### GOVERNMENT ACCOUNTS AND FINANCING 1946-47

Detailed information about our revenue, expenditure and debt is provided for the house and the public in the white paper which will be printed as an appendix to the budget, and therefore I shall only draw attention here to the main points of interest. As the accounts will not be completed for some weeks, the present figures are estimates which are still subject to change.

The grand total of expenditures for the year amounted to approximately \$2,632 million, which was just over half, 51 per cent to be exact, of the expenditures for the preceding year. Total revenue of all kinds, including refunds of previous years' expenditures and other special receipts and credits, amounted

to \$2,984 million, only \$29 million less than the total of the previous year. There was consequently a surplus of about \$352 million, constituting a reduction in our net debt. This is, of course, a surplus of quite unprecedented size and, in fact, compares with a total of \$319 million for all previous surpluses in Canada's account since confederation. Such a surplus is, of course, very gratifying. We can take legitimate pride in the fact that in the first fiscal year beginning after V-J day we have been able to better than balance our public accounts by a wide margin. This large surplus is a tribute primarily to the health and strength of Canada's economy but the government of the day and particularly my predecessor, the present Minister of Justice, are, I believe, entitled to take credit for the prudent management of the country's financial affairs to which this result bears witness.

We should not, however, be led into false optimism, nor should we jump to the conclusion that our present tax structure is much more than adequate to meet all our future requirements. There are abnormal aspects of both the revenue and the expenditure sides of our accounts which need to be considered before we can obtain anything like a true picture of probable future budgets.

On the revenue side, for instance, there are special receipts of \$372 million, representing the proceeds of sale of surplus war assets, refunds of previous years' expenditures and other credits of a temporary character.

In addition our tax revenues include a substantial amount of payments by taxpayers in respect of income received in earlier years or arising out of the non-recurrent taxation of accumulated surpluses of private companies. Moreover, our revenues are based on very high levels of production, incomes and imports which we probably cannot expect as normal levels in future years. I have said enough to demonstrate that it would be a mistake for us to assume that, if we were to retain our present tax structure, we could expect to obtain total revenue of a magnitude approaching that of the year just closed.

But while I emphasize that, I also wish to stress the fact that our expenditures for the past year included substantial sums for items of a temporary, abnormal or non-recurring character. National defence, for instance, spent some \$376 million during the year, which is \$136 million more than is being estimated for the current year. The Department of Reconstruction and Supply spent \$70 million on liquidation and termination of contracts

alone. Veterans Affairs paid out almost \$320 million for war service gratuities and re-establishment credits, \$100 million for discharge benefits and \$50 million for treatment services. The continuing cost of subsidies introduced during the war accounted for about \$208 million. There were many other items included in the 1946-47 expenditures which will either be entirely eliminated or greatly reduced in future years. The grand total of expenditures incurred last year must therefore be considered in the light of these abnormal or non-recurring factors. On the other hand, there is another type of allowance which will have to be made, if and to the extent that this parliament approves the undertaking of new services or the provision of new benefits. Here, in this parliament is where the real control of expenditure must rest. We may talk all we like about the necessity of reducing expenditures but if, at the same time, or, perhaps on the following day, we press for this or that new service or benefit, this or that new project, or an increase in this or that benefit, we are thereby making it impossible to maintain that more reasonable level of public expenditures which the cessation of war and demobilization expenditures should bring.

What I am getting at is this: Our surplus is a real one and one from which we can find encouragement, but it has been obtained at high levels of revenue and expenditure which do not necessarily give an accurate indication of the shape of things to come.

Total revenues for the year exceeded by \$509 million the forecast made in the budget of last year. The largest increase over the forecast was in the item for special receipts, which the then Minister of Finance stated could only be an arbitrary estimate, and in respect of which we received in fact \$372 million rather than \$200 million. He stated that the estimates in respect of other items were believed to be conservative, and I think the prevailing view was that he was not being conservative enough. Caution was the only attitude which a responsible Minister of Finance could take, particularly in the light of the prevailing shortages, uncertainties and industrial unrest which prevailed when the budget was brought down.

In any case, our production, trade and income, on which our revenues were based, turned out to be surprisingly well maintained last year, despite the early difficulties and uncertainties. Consequently customs duties and personal income taxes, both highly sensitive to economic change, substantially exceeded our

forecasts. We probably underestimated the effect on our income tax revenues of the return of veterans now getting taxable wages and salaries instead of tax-free service pay and allowances, as well as the effect of the large retroactive increases in wage rates. Corporation profits also turned out to be considerably higher than it had been felt safe to count upon, with the result that revenue from corporation income tax and excess profits tax amounted in all to about \$688 million, which was 27 per cent above the forecast. Sales tax as well reflected the much greater supply of consumers' goods available for the market. Its yield at about \$300 million was 20 per cent above the figure included in the last budget. Other excise taxes on consumers' goods showed a much smaller increase over the figures budgeted, and the yield of excise duties on liquor and tobacco turned out to be quite close to the anticipated figures. Succession duties, taxes on interest and dividends going abroad, and miscellaneous taxes produced revenues close to the estimated figures, while non-tax revenues were slightly less than anticipated.

On the expenditure side, the figures for the last year were well below the amount estimated. The total as estimated at present, is \$2,632 million, which is \$137 million, or 5 per cent, below the total of the main estimates for the year, which in the budget was taken as a safe limit to set on probable total expenditures.

Expenditure on national defence amounted to \$376 million, which was \$113 million less than that authorized by the estimates, and was, of course, only a small fraction of such expenditure in the previous year. Expenditure by reconstruction and supply, mainly on contract termination, emergency housing and coal production, amounted to about \$137 million, compared with total estimates of \$231 million, the main reduction by comparison with the estimates coming in connection with termination of war contracts. Expenditures of all kinds by the Department of Veterans Affairs amounted to about \$607 million compared with aggregate estimates of \$667 million. As I have said, the total cost during the past year of subsidies of all kinds, introduced during the war, paid by various departments and agencies amounted to approximately \$208 million.

Following the practice of the last six years I have provided for an addition of \$25 million to the reserve for possible losses on the ultimate realization of active assets. Under the Consolidated Revenue and Audit Act it is the duty of my department to present in

the public accounts, to quote from the Act, such "accounts and matters as are required to show what the liabilities and assets of Canada really are" at the date of such statement. I believe this obligation is to present what is considered to be a true picture of such assets and liabilities. The government of Canada has loans, advances, investments and other assets amounting in the aggregate to over \$4,746 million which it carries in its books as active assets. It is obvious that while these assets on the whole are believed to be good assets, there is bound to be a certain percentage of loss on their ultimate realization. No one can forecast the future with sufficient accuracy to know precisely how large this loss may be. We can only use reasonable judgment and each year since 1941 it has been decided that the reasonable thing to do was to set aside \$25 million as a reserve to take care of such losses. At March 31 last, the total amount in this reserve was \$155 million after certain write-offs had been made against it. I would not go so far as to say that this sum, which represents 3.2 per cent of the total book value of our active assets, is a highly conservative estimate of the amount necessary to bring the book value of our active assets to a wholly realistic basis but I do believe that it is not an unreasonable provision for the purpose. No doubt ministers of finance reviewing the situation in future years may wish to build up the reserve to a somewhat larger amount over a period of time.

I have already referred to the impossibility of predicting with accuracy the probable total amount of ultimate loss in respect of all our active assets. It is even more difficult to assign this loss to individual assets or types of assets, although losses are more likely in certain cases than in others. In any case I am convinced that it would be unwise from the point of view of public policy to break up this reserve and earmark it against particular items in our active assets. No business man would reveal in his published statements the amount of his bad debt reserve carried against the account of each individual debtor; if he did, he would place himself in a very weak position in the collection of his accounts. Similarly, I believe that it would not represent prudent or efficient administration of Canada's financial affairs to show in the public accounts specific reserves to meet possible losses in connection with specific assets. The general reserve offers a better method of assuring a true presentation of Canada's assets without any disadvantage.

I should point out that while it is believed no specific parliamentary authority, other than that to which I have referred, is necessary to set up and add to this reserve, it is of course clear that no asset can be written off in whole or in part and the write-off charged to this reserve, unless there is parliamentary authority, general or specific. During the past year, write-offs amounting to \$19.6 million were made and charged to this account. These involved various investments made during the war in government owned plant and equipment carried in our books as active assets, and the authority for the write-offs was the Surplus Crown Assets Act.

In addition to our budgetary expenditures the government made substantial outlays during the year in the form of loans or advances or the purchase of investments, in regard to which detailed information will be found in the white paper. The largest of such investments was that of \$640 million in advances to the United Kingdom under the financial agreement approved by parliament last year. The United Kingdom drew rapidly on this credit during the past fiscal year, but we do not expect drawings this year to be so rapid, as a considerable part of British requirements in Canada are now being met by payments in convertible foreign exchange derived from other sources. Drawings under export credits to other countries amounted in all to about \$267 million. All these were offset to a large degree by repayments of earlier loans and advances to various governments, so that our net investment in credits to other governments last year amounted to \$648 million.

Owing to our surplus of revenue over expenditures, and repayments of various loans and advances, including some of those made to the foreign exchange control board, it was possible to meet all our requirements for cash, apart from debt redemption, without net new borrowing during the year. The only sale of new securities to the general public was the issue of Canada savings bonds, which commenced in November. The amount of this issue outstanding at the end of the fiscal year was \$488 million. The proceeds of this issue, together with other available funds, made possible the redemption of \$779 million of matured or called securities, apart from those renewed or converted, which resulted in a net reduction during the year of \$283 million in our funded debt.

The estimated gross liabilities of the dominion at the end of the fiscal year amounted to approximately \$17,660 million, against which

active assets of approximately \$4,590 million were held, leaving an estimated net debt of \$13,069 million as of March 31. This, of course, is \$352 million less than a year ago, as a result of the surplus on the year's operations. I should repeat that these figures are preliminary estimates subject to adjustments before the final accounts are struck.

#### BUDGET FORECAST 1947-48

In assessing the budget requirements for the new fiscal year, we should first recall that the total expenditures provided for in the main estimates are approximately \$1,996 million. To this must be added \$6 million of supplementary estimates already introduced, making the total \$2,002 million. There will as always be supplementary and further supplementary estimates which must be taken into account and, on the other side of the ledger, we may expect the departments to make certain savings in the funds made available to them. It is the net result of these factors which will determine the total expenditures for the year.

At this time it is not possible to forecast with great accuracy the amount of additional funds which parliament will be asked to provide before the end of the year. However we can already see some of the purposes for which more funds will be required. One of the most important of these is to carry out our obligations under the new taxation agreements with certain provinces. Funds for this purpose could not be included in the main estimates, as the authority to enter into such agreements had not yet been granted by parliament, but in making our budget plans we must, of course, allow for them. At the present time the governments of six provinces have obtained or are now in the process of obtaining from their legislatures authority to enter into agreements. Our latest calculations of the gross annual payments to be made to these provinces in respect of the fiscal year 1947-48, using preliminary estimates of population and of gross national product, give a total of approximately \$78,400,000. From this amount must be deducted the statutory subsidies payable to these provinces. Only three-quarters of the net remaining payments to the provinces, or approximately \$52,150,000, will be payable during the current fiscal year because of the timing of the quarterly payments involved.

From these payments one would normally deduct a credit for the special corporation income tax to be levied by the provinces in accordance with the agreements. It has been estimated that this adjustment for the six provinces under consideration would be in the neighbourhood of 15 to 20 million dollars for a full year, but no deduction in respect of this item will be made until after the end of this fiscal year.

To the net total I have already mentioned, we must add the subsidies to be paid to the maritime provinces under the Duncan and White commission awards, namely \$2,475,000, and the special payments to be made to New Brunswick and Prince Edward Island in respect of the "gap" between the termination of their war-time tax agreements and the date from which the new agreements will commence, April 1, 1947. These payments, for which authority will be sought in the new legislation dealing with the tax agreements, will amount to slightly more than \$3 million. The total, therefore, which we must add to the estimates to cover additional payments to provinces, is approximately \$58 million. Of course, if more than six provinces enter into the agreements during the year, the total may exceed this figure.

While these further payments to provinces will be the most important addition to the expenditures contemplated by the main estimates, there will be others, some of which cannot now be foreseen but a number of which are already in prospect, as for instance, the increases in old age pensions to be provided for by legislation already announced. While we expect that, as usual, departments will not spend all of the funds provided for in every one of their votes, I do not think it is safe this year to count on savings as large as usual, in view of the pressure that has been put on all departments to cut their estimates to the bone. After making due allowance for all the considerations that appear pertinent and endeavouring to avoid either excessive caution or undue optimism, I have come to the conclusion that the best estimate that can be made at the present time of our total expenditures for the current fiscal year is \$2,100 million.

Turning to the revenue side, we estimate that our present taxes under the laws now in force and applied under the conditions of the

current fiscal year as we now foresee them would yield total revenues of approximately \$2,450 million. This includes tax revenues estimated at \$2,200 million, non-tax revenues (mainly return on investments and post office receipts) estimated at \$160 million, and special receipts and credits estimated at \$90 million. These tax and revenue figures include

an estimated yield of \$40 million for gasoline taxes, the repeal of which as from April 1 has already been announced and which is included with the tax changes in this budget. With the consent of the house, I shall place on *Hansard* a table showing the details of this estimate in comparison with the actual revenues of 1946-47, as now estimated.

	Forecast Fiscal Year 1947-48 (millions) \$	Actual Fiscal Year 1946-47 (Preliminary) (millions) \$
Customs Duties.....	230	237
Excise Duties.....	200	196
Sales Tax (net).....	325	298
Other Excise Taxes.....	290	281
Income Tax—		
Personal.....	625	695
Corporate.....	300	239
Excess Profits Tax.....	170	449
Interest and Dividends.....	30	30
Succession Duties.....	26	24
Miscellaneous.....	4	10
Total Tax Revenue.....	2,200	2,459
Deduct Refundable Taxes.....		—7
Non-Tax Revenue.....	160	160
Total Ordinary Revenue.....	2,360	2,612
Special Receipts.....	90	372
<b>TOTAL REVENUE.....</b>	<b>2,450</b>	<b>2,984</b>

It will be noted that total estimated revenue on this basis would be \$534 million less than in the year just closed. One of the principal reductions expected, namely \$282 million, is in special receipts and credits, where we can no longer count upon large refunds of previous years' war expenditures or upon such large sales by War Assets Corporation as during the past year. We also anticipate a large reduction in the revenue from excess profits tax as a consequence of the changes introduced last year and which are only now taking full effect upon our revenue; this decrease will be offset in part by a corresponding increase in revenue from the corporation income tax, which has replaced a portion of the flat rate of the former excess profits tax. Personal income tax revenues are also shown at a lower figure as a consequence of the changes which went into effect on January first this year. Apart from these changes and certain minor ones that I shall not attempt to mention here, the table shows that we are anticipating a buoyant

effect on revenues resulting from a national income and expenditure likely to be somewhat higher this year than last.

It will be apparent from the estimate of expenditure and revenue which I have just made, that if no tax changes were made we would anticipate a surplus of approximately \$350 million during the fiscal year which has just begun. In view of the inevitable uncertainties, both in regard to several major items of expenditure and in regard to the level of corporate profits and other constituents of national income, we cannot take this forecast as a firm figure but it is the best estimate which we can make at the present time and indicates the general nature of the budget situation confronting us.

The house is of course aware that in addition to our budgetary expenditures, the government is also called upon to provide cash during each fiscal year for the making of certain loans, advances and investments which increase the active assets of the dominion and therefore do

not affect the surplus or deficit or the net debt. Apart from the usual capital advances to the Canadian National Railways and the national harbours board and loans for housing or to veterans, the principal items of this nature to be expected during the coming year are the continuing advances to Britain and other governments under existing agreements. As at April 1, the sums still remaining unused in these credits aggregated \$870 million. There is likely to be some offset to this type of demand upon our cash resources in the shape of further repayments of various loans and advances previously made. However, any proper estimate at this time of the net result of these advances and repayments would be almost impossible to make. I shall therefore not venture to make any forecast as to our net cash requirements over and above our budgetary expenditures. We should, however, always bear in mind that a prospective budget surplus in our accounts does not necessarily mean a surplus of cash receipts over cash requirements.

We must also bear in mind that before the end of this fiscal year we must repay refundable taxes amounting to \$89 million, \$58 million being in respect of personal income taxes and \$31 million for excess profits tax.

#### TAX POLICY

From what I have already said it will be clear that we can afford tax reductions without thereby creating a deficit in our accounts. Reductions in taxes leading to modest reductions in our revenues will result not in an increase in our net debt but rather in a smaller prospective reduction in that debt.

From some points of view it can be strongly argued that under the prevailing favourable economic conditions we should concentrate upon the maximum reduction of the national debt which of necessity had to be built up to such huge proportions during the war. It is a sensible and far-sighted policy to reduce the national debt in good times and permit it to increase in times of economic adversity. We must expect, I believe, that at times when our employment, production and incomes are below satisfactory levels, our revenues will fall short of our expenditures. Indeed, at such times it will probably be necessary to incur expenditures of various kinds to assist in restoring better levels of employment and income. It is a necessary corollary of this that we should

aim at a surplus in times of prosperity and very high levels of income and employment, such as we have at the present time. Only by efforts to maintain our revenues under such conditions can we hope to avoid indefinite and undesirable accumulation of debt over the long run.

Economic considerations alone would hardly justify immediate tax reductions. As I have already stated, there are still substantial inflationary pressures pushing our prices and costs up. Reductions in taxes may add to these pressures in some measure, though they should reduce some of the demand for higher wage rates.

We must, however, look beyond these immediate circumstances and take other factors into account. The rapid rate at which taxes had to be increased in Canada during the war, experienced against our North American background of a long history of low taxes and relative freedom in economic affairs, has given rise to an acute tax consciousness.

Had our taxes been raised gradually and under normal conditions to their present levels, had they been increased for the productive, peace-time purposes of national development and social security rather than for the unproductive purposes of war, then the present levels might perhaps have been acceptable and tolerable as continuing levels. Instead, however, they represent a position to which we have returned after a sudden and unpleasant excursion into painful war-time levels of income tax, and people are still smarting so much from their wartime experience that even after the substantial reductions made in the last two budgets, the present levels of personal income taxes are regarded as excessive by a large proportion of the public. Therefore, whatever may be argued from the point of view of immediate economic effects or long-term debt policy, one must reach the conclusion that those who must bear them are not ready to support income taxes on the present scale. In fact, I am sure that were our present levels of personal income tax to be continued, they would constitute a serious impediment to a full working effort and a brake upon the drive and initiative of men and women in all groups and classes.

There is another important point. We in Canada must always remember the effect upon us and our policies of our proximity to the

United States. So close and insubstantial is that common boundary line to most Canadians, so many-sided are the business and social relationships between our two peoples, so important is the influence exerted by the larger economy upon the smaller one, that we cannot for long follow widely divergent tax policies without causing serious strains. It would appear that if Canadians are asked to carry tax burdens which, after making due allowance for lower cost of living or lower cost of doing business or other offsetting factors, are significantly heavier than those imposed by the United States, there is a risk of a serious drain of Canadian personnel to the south for this reason alone.

#### PERSONAL INCOME TAX

I am consequently proposing to make a substantial reduction in taxation in this budget. Moreover, I am proposing to concentrate this reduction almost entirely in the field of personal income tax. This is the tax that at present levels is proving so unpopular and is causing difficulty. To overcome the situation which I have described a substantial reduction is necessary, and I do not feel that we can afford the reduction required in this field and also substantial reductions in other forms of taxation in the face of the responsibilities which Canada finds upon her shoulders in this post-war period.

In reducing the rates of income tax I have, of course, endeavoured to graduate them as fairly as possible, giving the greatest proportionate relief to those in the lowest brackets, but granting some relief to all. I have also had in mind keeping the rates of tax on additional income that a person may earn down to sufficiently reasonable proportions that the tax on such additional income does not offer a serious barrier to extra effort or initiative, including overtime work, for example.

I am, therefore, proposing a new and substantially lower schedule of rates of income tax to come into effect on July 1. Under this new schedule, the average amount of tax will be reduced by about 29 per cent, as compared with the present rates, and our revenue will be reduced accordingly. Nine out of ten taxpayers will find their taxes reduced by 29 per cent or more from existing rates. The reduction as compared with present rates is as much as 54 per cent in the bottom bracket, but is

limited to about 6 per cent or 7 per cent in the top brackets. The new schedule has an initial or starting rate of 10 per cent instead of 22 per cent, as at present. The rate then steps up gradually over relatively short brackets and becomes 20 per cent over a considerable range of income in the lower middle brackets. As nearly as we can estimate, 95 per cent of all the taxpayers will find that under this new schedule the marginal rate of tax, that is to say, the rate on each additional dollar that they earn, will not exceed 20 per cent. The new schedule reaches a rate of 50 per cent on additional income at the level where income exceeds exemptions by \$17,000, in place of \$13,000 under the present schedule. The tax reaches a maximum of 80 per cent at the top on incomes in excess of \$250,000 a year.

It is proposed to retain the same general structure of exemptions and allowances that was established last year. This structure, as the house is aware, has been considerably simplified as compared with the elaborate and complicated structure which prevailed during the war years, and we have achieved, I believe, the simplest practicable method of taking family allowance payments into account.

The exemption levels established last year are high enough to exempt completely from tax more than half the people earning incomes in Canada. Consequently it can be said that any person who pays income tax now has more than an average income, taking his or her marital and dependent status into account. Moreover, taxpayers with income only a little in excess of the exemptions will pay only a very small tax under the new rates, a good deal less than in the United States under either the existing or the proposed new schedule which has been approved by the house of representatives but not yet by the senate or the President. If we raised exemptions above the levels established last year, we should in fact be sparing so many from income tax that it would be unfair to the large number of the people who are below the present exemption levels, because we would inevitably be forced to rely for necessary revenues upon indirect taxes which would bear more heavily upon the low income groups.

It must be remembered, too, that raising the exemptions results in a very substantial loss of revenue because it affects all taxpayers, including those in the highest brackets, and the saving for each taxpayer is his highest rate of tax

applied to the increased amount of his exemption. Already our exemptions are considerably higher than those in the United States and in the United Kingdom, the countries to which we would most naturally look for comparison. If, as some have suggested, we restored the pre-war levels of exemptions, we should have to sacrifice more revenue than the whole of that sacrificed by the rate reductions I am now proposing, and we would be doing practically nothing by such action to reduce the rate of tax on additional earnings for those who remain subject to income tax. It is the high marginal rate of tax on additional earnings that discourages additional work, enterprise and initiative, and consequently we must aim in our reductions at cutting down these marginal rates of tax.

I am proposing that the new schedule of rates go into operation as of July 1, which is the earliest date by which it will be possible to prepare the new tables and get them into the hands of employers. As from that date deductions from wages and salaries will be adjusted to the levels appropriate to these new rates. The new tax rates themselves will apply fully, in the absence of modification by later budgets, to the income for 1948 and subsequent years. For the current year, 1947, total tax liability will be calculated by applying the existing rates, which went into effect on January 1, to half of the taxpayer's income for the year and the new rates to the other half. In other words, the effective tax rate for the year as a whole will be the average of the two sets of rates.

A few examples will probably illustrate more clearly than any description the effect of the proposed changes. A married man without children and with an income of \$150 a month now is subject to a monthly deduction in respect of tax of \$5.35 and must pay a total for the year of about \$68 at the rates now in effect. Under the new rates his monthly deduction will be only \$2.85 and his liability for a whole year will be \$36. For the year 1947 his total tax will amount to \$52 collected at the present rate of deduction for the first half-year and at the new rates for the last half of the year. In the United States, his total tax for a full year would be \$118 under existing rates and \$82 under the new proposal to which I have referred.

In Canada, a single person without dependents and with an income of \$100 a month will

under our present proposals find his deductions each month being reduced from \$8.30 at present to \$4.80 after July 1, and his tax liability for a whole year, instead of being \$105 will be \$61; for the year 1947 it will be the average of these two, namely \$83.

Married persons with two children and a monthly income of \$250 will find their deductions reduced from the present figure of \$25.85 per month to about \$18.30, while their annual tax bill will be reduced from \$327 to \$230; the average applicable to this year will be \$278.

Further up the scale the more fortunate individual, married, with no dependents and with an earned income of, say, \$10,000 a year will find his annual tax bill cut from \$2,723 to \$1,990, while his bill this year will be \$2,356.

It will be agreed, I believe, that income tax reductions, averaging over 29 per cent for all taxpayers and running up to 54 per cent for those in the lowest taxable brackets, are very drastic reductions. They are particularly significant when we remember that they follow the substantial reductions made in each of the last two budgets. I have had a calculation made to show just how much the total reduction has been from the war-time peak of income tax rates, the rates imposed by the budget of 1942. I am advised that the best way of getting the answer to my question is to apply to the estimated volume and distribution of personal incomes in a recent year the tax rates that were applicable under the 1942 budget and those in the new schedule which is to be found in the first resolution that will be tabled at the end of this budget. Such a calculation has been made. It shows an over-all reduction in the total personal income tax burden on the Canadian people of 51 per cent, taking into account only the fixed tax in 1942 and not the compulsory savings portion. If this portion were included in such calculation, the percentage reduction would, of course, be substantially higher.

I believe that the verdict of all responsible persons will be that we have gone as far as we can possibly afford to go under the present circumstances. The new rates reduce taxes very materially in the lower brackets and bring them quite substantially below tax rates in effect and proposed in the United States and of course very much below comparable rates in the United Kingdom, Aus-

tralia and New Zealand. Higher up the scale, in the middle brackets, our proposed rates are also generally lower than those now applicable in the United States, but are somewhat higher, in dollar amount only slightly higher, than the new rates proposed in the United States, to which I have already referred but which of course may not be the rates finally adopted there.

These middle brackets represent a category of incomes to which we gave the most careful consideration. They include the salaried classes which according to much prevailing opinion have shared less than other classes in the economic gains made since 1939. The group also includes the young professional or scientific men and the young business executives for whom the attractions in the United States of more specialized opportunities and

the possibility of ultimately higher rewards exercise the strongest appeal. Since early in the war our rates have been more progressive than the United States rates. However, after a great deal of study we have been able to deal with these middle ranges of income in such a way, I believe, as to achieve the maximum of fairness and the minimum of practical difficulties.

For the convenience of hon. members, I would like to place on *Hansard* at this point several tables illustrating our new rates of tax for single persons, married persons with no dependents, and married persons with two dependents, as compared with existing rates, and also a table comparing our taxes with those now in effect in the United States and with those proposed in the bill passed by the house of representatives.

#### PRESENT AND PROPOSED INCOME TAX

##### SINGLE TAXPAYER

Income	1947 tax at present rates	1948 tax at new rates	Percentage reduction from present rates	1947 tax	Percentage reduction from present rates
				6 months at present rates and 6 months at new rates	
	\$	\$	p.c.	\$	p.c.
\$ 750.....					
800.....	11	5	54	8	27
900.....	33	16	51	25	25
1,000.....	55	29	47	42	24
1,200.....	105	61	42	83	21
1,500.....	180	120	33	150	17
1,800.....	257	180	30	218	15
2,000.....	313	220	30	266	15
2,250.....	383	270	29	326	15
2,500.....	453	320	29	386	15
2,750.....	523	370	29	446	15
3,000.....	593	420	29	506	15
3,500.....	740	520	29	630	15
4,000.....	895	620	29	758	15
5,000.....	1,205	835	29	1,020	15
7,500.....	2,058	1,465	29	1,761	15
10,000.....	3,038	2,253	26	2,645	13
20,000.....	7,900	6,515	17	7,208	9
30,000.....	13,400	11,728	12	12,564	6
50,000.....	26,091	23,456	10	24,773	5
75,000.....	43,516	39,418	9	41,467	5
100,000.....	62,016	56,631	8	59,323	4
200,000.....	143,441	133,056	7	138,248	4

NOTE.—In calculating the above taxes it has been assumed that all incomes up to \$30,000 are entirely earned incomes, and that incomes of more than \$30,000 include earned income of that amount and additional investment income to make up the total.

**PRESENT AND PROPOSED INCOME TAX**  
**MARRIED TAXPAYER—NO CHILDREN**

Income	1947 tax at present rates	1948 tax at new rates	Percentage reduction from present rates	1947 tax 6 months at present rates and 6 months at new rates	Percentage reduction from present rates
	\$	\$	p.c.	\$	p.c.
\$ 1,500.....					
1,600.....	22	10	54	16	27
1,800.....	68	36	47	52	24
2,000.....	118	70	41	94	20
2,250.....	180	120	33	150	17
2,500.....	243	170	30	206	15
2,750.....	313	220	30	266	15
3,000.....	383	270	29	326	15
3,500.....	523	370	29	446	15
4,000.....	663	470	29	566	15
5,000.....	973	670	29	821	15
7,500.....	1,793	1,260	29	1,526	15
10,000.....	2,723	1,990	27	2,356	13
20,000.....	7,488	6,140	18	6,814	9
30,000.....	12,988	11,315	13	12,151	6
50,000.....	25,641	23,043	10	24,342	5
75,000.....	42,991	38,968	9	40,979	5
100,000.....	61,491	56,143	8	58,817	4
200,000.....	142,841	132,493	7	137,667	4

NOTE.—In calculating the above taxes it has been assumed that all incomes up to \$30,000 are entirely earned incomes, and that incomes of more than \$30,000 include earned income of that amount and additional investment income to make up the total.

**PRESENT AND PROPOSED INCOME TAX**  
**MARRIED TAXPAYER WITH TWO CHILDREN OF FAMILY ALLOWANCE AGE**

Income	1947 tax at present rates	1948 tax at new rates	Percentage reduction from present rates	1947 tax 6 months at present rates and 6 months at new rates	Percentage reduction from present rates
	\$	\$	p.c.	\$	p.c.
\$ 1,700.....					
1,800.....	22	10	54	16	27
2,000.....	68	36	47	52	24
2,250.....	130	80	38	105	19
2,500.....	193	130	33	161	17
2,750.....	257	180	30	218	15
3,000.....	327	230	30	278	15
3,500.....	467	330	30	398	15
4,000.....	607	430	30	518	15
5,000.....	911	630	30	770	15
7,500.....	1,725	1,208	30	1,466	15
10,000.....	2,647	1,930	27	2,288	14
20,000.....	7,378	6,040	18	6,709	9
30,000.....	12,878	11,205	13	12,041	6
50,000.....	25,521	22,933	10	24,227	5
75,000.....	42,851	38,848	9	40,849	5
100,000.....	61,351	56,013	8	58,682	4
200,000.....	142,681	132,343	7	137,512	4

The above figures show the actual income tax liability of a taxpayer with family allowance children, but in order to arrive at his true net position the amount of family allowance received for his children must be offset against his tax liability. For example, assuming he receives the average family allowance payment of \$72.00 a child, a taxpayer with an income of \$2,500 and two children would find that under present rates his income tax exceeded his family allowance by \$49.00, while under the proposed rates his family allowance payments will exceed his income tax liability by \$14.00.

NOTE.—In calculating the above taxes it has been assumed that all incomes up to \$30,000 are entirely earned incomes, and that incomes of more than \$30,000 include earned income of that amount and additional investment income to make up the total.

COMPARISON OF PERSONAL INCOME TAX—CANADA AND UNITED STATES  
MARRIED TAXPAYER.—No CHILDREN

Income	Canadian tax at new rates	U.S.A. tax at present rates (a)	U.S.A. tax at rates in bill passed by House of Representatives (a)
	\$	\$	\$
\$1,200.....		15	11
1,300.....		32	23
1,400.....		49	35
1,500.....		67	47
1,600.....	10	84	59
1,800.....	36	118	82
2,000.....	70	152	106
2,250.....	120	195	138
2,500.....	170	238	183
2,750.....	220	280	224
3,000.....	270	323	258
3,500.....	370	411	329
4,000.....	470	505	404
5,000.....	670	694	555
7,500.....	1,260	1,292	1,034
10,000.....	1,990	2,024	1,619
20,000.....	6,140	6,142	4,913
30,000.....	11,315	11,676	9,340
50,000.....	23,043	24,453	19,562
75,000.....	38,968	42,707	34,166
100,000.....	56,143	62,714	50,171
200,000.....	132,493	147,697	118,157

(a) The U.S.A. taxes shown are Federal taxes only; most States have income taxes in addition to the Federal tax. In Canada no personal income tax is levied now by any province. Under the United States income tax law every taxpayer is allowed a deduction of 10 per cent of income up to a maximum of \$500 in lieu of deductions for medical expenses, charitable donations, etc., and this is taken into account in calculating the taxes for United States; Canadian taxpayers who can claim such deductions would pay less tax than shown by this table, since no allowance has been made for such deductions in calculating the Canadian tax.

NOTE.—In calculating the above Canadian taxes it has been assumed that all incomes up to \$30,000 are entirely earned incomes, and that incomes of more than \$30,000 include earned income of that amount and additional investment income to make up the total. No distinction is made between investment and earned income under the United States tax.

It is estimated that these proposed reductions in income tax rates will reduce our revenue from this tax by an amount of approximately \$175 million for a full year. It is estimated that the effect upon the revenues of the current fiscal year will be about \$110 million, as a part of our collections this year will be based on the previous tax rates before change.

I am endeavouring to make this a relatively simple budget and I am not, therefore, proposing any other substantial changes at this time in the income tax, although I shall later mention some minor amendments. We have been busy during the past year upon the rewriting of our basic income tax law in an effort to improve its arrangement, to make it clearer and simpler, and to remove ambiguities and anomalies. Hon. members will, I think, be particularly pleased with the extent to which it will be less dependent upon the

exercise of ministerial discretions. Senior officials of the Departments of Justice, National Revenue and Finance have spent many months on a very detailed revision. I have taken a considerable personal interest in their work in this field. I hope to be able later in the session to introduce a bill embodying this general revision of income tax law with the intention of making it effective with respect to incomes of 1948. In all probability it will not be expedient or reasonable to ask the house to enact this new bill in the current session, but I believe it would be useful to bring it in this session in order to give members full opportunity to study it and mull it over, so that the country may get the full benefit of their consideration of all its details. We do not consider that this measure, when enacted as law, will constitute the final word, but we believe it will provide a framework

within which further improvements can be made over the course of future years.

In addition to this new income tax act, we also will have ready for action in this session a complete revision of the Special War Revenue Act and which we propose to rename "The Excise Tax Act". When parliament has had an opportunity to deal with these two revisions, we shall have made a great advance in the complete overhauling of our tax legislation, which the government regards as one of its major, immediate post-war objectives.

#### CORPORATION AND EXCESS PROFITS TAXES

I turn now to corporation income and excess profits taxes. Effective at the beginning of 1947, these have been reduced to a straight corporation income tax of thirty per cent on profits, plus a tax of fifteen per cent on excess corporation profits. As my predecessor stated last year, the excess profits tax has distinct weaknesses and limitations in normal times and is not, therefore, to be accepted as a permanent part of our tax structure. As he said, the government decided last year that it would be retained for this year, 1947, unless provision is made for its earlier repeal at this session of parliament.

We have given careful consideration to the question of whether or not this tax should be repealed before the end of the year, and have taken into account the views and arguments advanced from many sides. If business conditions had now returned to normal and we could rely upon the forces of competition and bargaining to keep profits at normal levels, we would be justified in repealing this tax with effect before the year end. If business needed larger profits to encourage and enable it to provide additional employment by greater expenditures, we should repeal the tax forthwith. Neither of these conditions exists at present. While competition is returning and supply is catching up on demand, profits before tax still are running at abnormally high levels, due to the after-effects of the war, including continuing demobilization and export credit expenditures. Business confidence and available funds are so high that a good many business men are competing more in their efforts to expand their investment quickly than in getting down their costs and keeping down the prices at which they sell their products. In all these circumstances, the government has decided that this tax should not be terminated until the end of the year.

A short time ago in this house I urged Canadian business men to reduce their prices as their volume and efficiency of business expand. I stated that it is neither proper

nor even good business to charge all the traffic will bear. I want to emphasize that view again now. We in the government, and the vast majority in this house and in this country, believe in what is now called "free enterprise". We believe in it not as a windy doctrine or a mystic ideology, but as a sensible way of getting things done. It must prove itself and justify itself by its results. With the orderly removal of controls, with increasing supplies of material, with efficient and cooperative labour, and with ample markets, Canadian business enterprise is in a most favourable situation. We all expect it to show its mettle, both in production and in marketing. We expect it to show its ability to keep down costs and prices. In its own long-run interest, as well as in the national interest, business must keep its prices down and its profits within reason.

While most of the minor amendments in our tax laws will be dealt with in the revised act, about which I have already spoken, there are a few changes applying particularly to corporations and other businesses which I wish to propose at the present time.

In the first place, I am proposing that we levy a 5 per cent withholding tax on dividends paid by wholly-owned Canadian subsidiaries to their parent companies abroad. We have no tax of this kind on such companies at present, but such a tax is permitted by our tax convention with the United States which levies such a tax, and we feel that it is not unreasonable for Canada to have one as well. This new measure is to come into effect immediately, and I estimate that in a full year it will yield three or four million dollars.

It is also proposed to extend for 1948 the allowances that have been made in recent years for expenditures on exploration for oil, gas and other minerals. We believe that these allowances have been important in facilitating and encouraging mineral exploration and development, and that we should continue them at least for another year. We propose to change the form of these allowances from the present form of a tax credit to the more normal form of a deduction from income. In the case of the special allowance provided for expenditures on deep test wells, we will make a further special provision to preserve the equivalent value of the tax credit now granted.

In accordance with the announcement made several months ago, I am also proposing to introduce a special provision in the income tax law to ensure that the income content of funding or refunding security issues received by taxpayers after January 1, 1947, will be

taxed as income in the year in which the new issue is received. As I explained in the announcement, we feel that it is necessary to take this precaution to safeguard our revenue and to preserve equity.

Other proposed amendments relating to the income tax act will remove the residence requirements for dependent wives and children, now possible after the war conditions are ended, and lengthen the period within which refunds of over-deductions may be claimed; make provision for tax credits to Canadian companies in respect of corporation income tax paid to a foreign government on income of a foreign corporation in which the Canadian company owns more than 50 per cent of the voting stock; amend the part of the act dealing with the undistributed income of private companies in several minor respects; and also amend one or two provisions of the act which must be revised to carry out the terms of the agreements with the provinces. I shall give explanations and details of these minor amendments when we are dealing with the resolutions. There are some other detailed provisions in the amending bill itself which can best be explained and discussed when we have it before us.

#### COMMODITY TAXES

In the field of taxes on commodities, the only major change which I am proposing is to give effect to my earlier announcement that the gasoline tax of 3 cents a gallon will be repealed as from April 1. It is estimated that this tax would have yielded us close to \$40 million in the current fiscal year, and I must, therefore, take account of this loss in our estimate of total revenue. It is, of course, well known that our purpose in withdrawing from this field of taxation at this time is to leave the provincial governments, which have traditionally occupied the field, full scope to carry out whatever policy they think best within it. As a result, the reduction in our tax may not result in any reduction in taxes paid by the consumers of gasoline, but that, of course, is a matter for each provincial government to decide in its own case. Pending action by parliament, I requested the Department of National Revenue to suspend collection of the tax from April 1.

We are also proposing to make certain minor amendments in the tax on passenger transportation, to conform with recent changes in the corresponding tax in the United States. It is desirable in this field to preserve as much similarity as possible between the taxes in the two countries, as that simplifies greatly the position of our common carriers. We are also proposing to iron out certain minor

anomalies in the structure of the sugar tax and to make certain technical changes in the Act to improve its effectiveness.

#### TARIFFS

I have already referred to the tariff negotiations now taking place in Geneva. These are of the greatest importance to Canada. We hope and expect that out of them will come sufficient reductions in tariffs to make it practicable to establish an international trade organization and to agree upon a code of international behaviour in regard to import restrictions, export subsidies and other commercial policies. Canada is, of course, prepared to make tariff reductions and reductions in preferences in exchange for tariff reductions by the United States and by other countries. We do not expect one-sided bargains. We are ready to do our full share.

I feel it is important, however, to stress two aspects of the situation from the Canadian viewpoint. In the first place, the tariff policy of the United States is the key to the success both of the tariff negotiations themselves and of the proposed charter. All of us who buy from the United States on a large scale and who owe large sums to the United States on capital account must have a greater opportunity to sell our goods in her markets than we have had up to now. Unless large scale American imports provide the world with an adequate supply of United States dollars, the rest of the world cannot hope to follow the liberal, multilateral and non-discriminatory trade policy which the United States has been urging upon it with our support and that of others. A positive lead in real tariff reductions by the United States is, therefore, needed if success is to be achieved at Geneva.

Secondly, there are in the proposed trade charter a good many qualifications and escape clauses applying particularly to the vitally important parts of the agreement that relate to quantitative restrictions on trade. Good arguments can be made, and are made, for each of these. But we must guard against the danger that if too many of them are included in the charter, the sum and substance of them all, taken together, may undermine many of the positive benefits which the charter is intended to give to each of the agreeing countries.

These are two points that deserve our keenest attention in regard to the negotiations and charter discussions at Geneva.

In view of the negotiations now in progress, I do not propose to recommend any tariff changes in this budget, nor to make any detailed statement of tariff policy. I should, however, remind the house at this point that

during the past year a number of special wartime tariff arrangements have ended with the end of the special wartime circumstances that gave rise to them.

Various orders in council which had provided for temporary reductions or suspensions of duties on individual items to make it possible to hold price ceilings, were revoked from time to time as ceilings were removed or as domestic supplies improved. This process was virtually completed on March 31. Moreover, as I announced last January, provision has been made for the issue of a proclamation on June 30, 1947, terminating the reductions of duty under the War Exchange Conservation Act. This will restore the regular British preferential rates of duty on imports from the United Kingdom. Our future trade relations with the United Kingdom, the United States and other countries will be determined in the light of the outcome of the United Nations Conference on Trade and Employment.

#### CONCLUSION

Before taking into account tax changes, I have forecast revenues of \$2,450 million, and expenditures of \$2,100 million for the current year, leaving a prospective surplus of \$350 million. The reduction in taxes now proposed, including the repeal of the gasoline tax, will, it is estimated, reduce our revenues by a total amount of \$265 million when they are in effect for a full year under economic conditions similar to those at present. Consequently these proposed tax changes will effect a continuing reduction in the general level of our revenues equal to approximately three-quarters of the amount of the surplus now in prospect. This, I believe, is as great a reduction in our tax structure as we should make at the present time. It is too early yet to hazard any forecast as to the probable level of expenditure and revenue in the fiscal year commencing April 1, 1948, but I believe it would be most unwise to carry our tax reductions at the present time beyond those which I now propose.

The effect of the proposed tax reductions upon revenues in the current year is estimated to be approximately \$160 million, reducing them, therefore, to a total of \$2,290 million. After allowing for our prospective expenditures of \$2,100 million, this leaves us with a prospective surplus of \$190 million and a corresponding prospective reduction of that amount in our net debt during this fiscal year. I should point out that on the basis of the foregoing estimates, were the tax reduc-

tions in effect for the whole of the current year, this apparent surplus would be reduced to \$85 million.

In appraising this prospective surplus, however, one must keep several factors in mind. In the first place we must be prepared to make financial provision for agreements with any of the three remaining provinces which have not yet signified their desire to do so but who may wish to enter into such agreements. Should all three provinces entertain agreements effective this year, our expenditures will be increased by an addition \$110 million or thereabouts. If they do not, then we can reduce our net debt correspondingly. Secondly, it must be borne in mind that our revenues now are very sensitive to any change in general business conditions. In forecasting them in this budget, we have assumed that our national income, production and trade will be at high levels. We believe that this is the most probable course of events. On the other hand, it must be conceded that some recession in the United States this year is by no means impossible. A substantial recession in that country would be bound to have some effects on our own situation, and this in turn would adversely affect our revenues. We must, therefore, leave some margin of safety in the form of a surplus, which we will apply to debt reduction, if conditions remain favourable.

I hope that it will be a cause for gratification and confidence to members of this house and to all Canadians that we are able to drop the tax on gasoline, make a very substantial reduction in our personal income taxes, and still show a prospective surplus in our accounts. This is convincing evidence of the inherent strength of our financial position. I would be less than candid, however, and derelict in my duty, if I did not point out that this favourable situation is due in a very large part to the generally favourable economic circumstances upon which our revenues so greatly depend. If and when we face greater economic difficulties we must anticipate lower revenues. We may also, I hope, anticipate somewhat lower expenditures within a year or two, as certain of the abnormal post-war expenditures disappear, particularly those on subsidies and veterans' benefits. On the other hand, the reduction in these expenditures may be offset in some years by other expenditures deliberately undertaken for the purpose of improving employment and incomes. Consequently our favourable position this year cannot in itself

be taken as evidence that we shall be able to avoid deficits in future years when economic conditions are less favourable than now.

Mr. Speaker, I have tried to present a balanced view of the financial affairs of this country. I have explained the extent to which our current prosperity and our governmental accounts have been influenced by factors of a special, abnormal or temporary nature. I have dealt with several of the major problems which still confront us and which we must solve if we are to retain a healthy and prosperous economy. But in spite of all I have said to discourage undue optimism or complacency, the story I have had to tell is one, I repeat, which should justify pride and inspire confidence in every Canadian. We can take just pride in the size of the surplus I have reported, pride in the fact that it has been achieved so promptly after the end of the war, pride in the fact that after a 51 per cent cut in personal income taxes and other drastic reductions from the peak of wartime taxation, we are able to forecast better than a balanced budget for the new fiscal year. All this bears eloquent witness to the speed and smoothness with which we have made the transition from war to peace. It reflects the health and the underlying strength of Canada. It inspires faith and confidence in the future of a country which is responsible for such great achievements following the close of a war to which it devoted its resources without stint on a scale matched by few others.

Two months hence we shall have occasion to celebrate the eightieth anniversary of the founding of this confederation. It was seventy-nine years ago yesterday that the first formal budget speech was presented to this house by the then Minister of Finance, the Hon. John Rose (later Sir John Rose). On April 28, 1868, in a speech lasting nearly four hours, he presented his estimates of revenue and expenditure for the first fiscal year of the new Dominion and outlined his financial proposals for the following year.

There was no *Hansard* in those days, but, according to the Ottawa *Times* of the following day, there were loud cheers when he expressed the view that "unless something very extraordinary or unforeseen should arise", the year would show a surplus on ordinary account, excluding capital expenditures, of \$374,140, estimated receipts of about \$14,700,000 exceeding estimated ordinary expenditures of \$14,300,000. No doubt with a praiseworthy effort to improve the lot of succeeding finance ministers, he attempted to refute the charge that the country was "groaning under a heavy load of debt and taxation" but in any case it

is interesting to note that eighty years ago it was also the custom to claim that the country was going to the dogs because of high taxes and high debt. The whole spirit of the speech can be summed up in a phrase which the minister had used on a previous occasion—"the sums we have to deal with are considerable but the resources and energy of the country are ample to meet them".

These men of 1867 had faith in the future of the united Canada which they were then striving to build. But probably none of them ever dreamed that in eighty short years, total revenues of the dominion could expand nearly two hundred times. We have indeed travelled a long way from the small beginnings of those days. But the same qualities which have brought us thus far can carry us to still greater heights. We are entering a most exciting period. Never before have there been such great material opportunities open to any generation. Never before have we been so conscious of the challenge presented to our economic and political abilities. Never before has our country been called to occupy a position of such high responsibility in world affairs as she does today. If we continue to show the courage, the unity and the spirit of cooperation which inspired the fathers of confederation, and which inspired our people during these last war years, our achievements in the peace-time years ahead will, I am confident, be equally striking.

#### INCOME WAR TAX ACT

Resolved, that it is expedient to amend the Income War Tax Act and to provide:

1. That, effective on and after July 1, 1947, payroll deductions for taxes be reduced to conform with the following schedule of graduated rates of tax:

On the first \$100 of income or any portion thereof, 10 per cent per annum; or

\$10 upon the income of \$100; and 12 per cent upon the amount by which the income exceeds \$100 and does not exceed \$200; or

\$22 upon the income of \$200; and 14 per cent upon the amount by which the income exceeds \$200 and does not exceed \$300; or

\$36 upon the income of \$300; and 16 per cent upon the amount by which the income exceeds \$300 and does not exceed \$400; or

\$52 upon the income of \$400; and 18 per cent upon the amount by which the income exceeds \$400 and does not exceed \$500; or

\$70 upon the income of \$500; and 20 per cent upon the amount by which the income exceeds \$500 and does not exceed \$3,500; or

\$670 upon the income of \$3,500; and 22 per cent upon the amount by which the income exceeds \$3,500 and does not exceed \$5,000; or

\$1,000 upon the income of \$5,000; and 26 per cent upon the amount by which the income exceeds \$5,000 and does not exceed \$6,500; or

\$1,390 upon the income of \$6,500; and 30 per cent upon the amount by which the income exceeds \$6,500 and does not exceed \$8,500; or

\$1,990 upon the income of \$8,500; and 35 per cent upon the amount by which the income exceeds \$8,500 and does not exceed \$11,500; or

\$3,040 upon the income of \$11,500; and 40 per cent upon the amount by which the income exceeds \$11,500 and does not exceed \$14,000; or

\$4,040 upon the income of \$14,000; and 45 per cent upon the amount by which the income exceeds \$14,000 and does not exceed \$17,000; or

\$5,390 upon the income of \$17,000; and 50 per cent upon the amount by which the income exceeds \$17,000 and does not exceed \$25,000; or

\$9,390 upon the income of \$25,000; and 55 per cent upon the amount by which the income exceeds \$25,000 and does not exceed \$50,000; or

\$23,140 upon the income of \$50,000; and 60 per cent upon the amount by which the income exceeds \$50,000 and does not exceed \$75,000; or

\$38,140 upon the income of \$75,000; and 65 per cent upon the amount by which the income exceeds \$75,000 and does not exceed \$100,000; or

\$54,390 upon the income of \$100,000; and 70 per cent upon the amount by which the income exceeds \$100,000 and does not exceed \$150,000; or

\$89,390 upon the income of \$150,000; and 75 per cent upon the amount by which the income exceeds \$150,000 and does not exceed \$250,000; or

\$164,390 upon the income of \$250,000; and 80 per cent upon the amount by which the income exceeds \$250,000.

2. That for the 1948 and subsequent taxation years the graduated rates of tax applicable to income of individuals be the rates set out in paragraph one.

3. That for the 1947 taxation year the graduated rates of tax applicable to income of individuals be the average of the present rates and of the rates set out in paragraph one.

4. That for the 1947 and subsequent taxation years the deductions from income of an individual allowed in respect of persons supported by or dependent on him be allowed without regard to the country of residence of such persons.

5. That the provisions allowing deductions from tax to taxpayers engaged in

(a) exploring and drilling for natural gas or oil,

(b) the production, refining or marketing of petroleum or petroleum products, or

(c) mining or exploring for minerals, the effect of which is equivalent to a deduction from income of the whole of certain expenses in respect of 1947 operations, be amended to provide that such expenses in respect of 1948 operations may be deducted from income and that, in the case of such expenses in respect of 1948 operations in respect of deep test oil wells an additional deduction from tax be allowed of an amount that, together with the deductions from income, will correspond to the deduction from tax allowed in respect of 1947 operations and that the amended provisions relating to expenditures on deep test oil wells apply in respect of the 1947 and 1948 taxation years to expenditures on groups of wells drilled to locate stratigraphic traps.

6. That there be imposed an income tax of 5 per cent on a non-resident corporation in respect of dividends received by it on or after April 30, 1947, from a resident corporation

where all the issued shares of the resident corporation having full voting rights under all circumstances, other than directors' qualifying shares, are beneficially owned by the non-resident corporation.

7. That, where a resident corporation owns over 50 per cent of the issued shares having full voting rights under all circumstances of a non-resident corporation and receives dividends (other than dividends that are not liable to taxation) from the non-resident corporation, the resident corporation may deduct from the tax otherwise payable by it for the 1947 and subsequent taxation years an amount in respect of income tax and excess profits tax paid to a government of a country other than Canada on the income out of which the dividends are deemed to have been paid.

8. That the period during which refunds may be made in respect of amounts deducted for tax at source from salaries or wages be extended and that where the period for refunds in respect of deductions heretofore made has expired, such refunds be permitted for a further prescribed period.

9. That funding securities received in respect of an accrued right to interest, dividends or other payments of an income nature or in respect of the extinguishment of a shareholder's preference to the declaration of dividends for past periods be taxable as income.

10. That the provisions respecting the taxation of private companies in respect of undistributed income be extended to include companies having not more than 75 shareholders excluding shareholders employed or formerly employed by the company, as at present.

11. That the provisions making applicable in respect of income of the 1946 and subsequent taxation years the liability of a private company to pay tax upon undistributed income to which a personal corporation, estate or trust would have been entitled if the income were distributed, be amended to provide that the liability is to be deemed to have been imposed on and after December 18, 1945.

12. That there be deducted from the undistributed income of a private company on hand at the end of the 1939 fiscal period, the amount of dividends paid by the company before December 31, 1942, that were not subject to tax in the hands of the shareholders by reason of the company having been a family corporation.

13. That a tax be imposed on an individual who holds shares of a private company that paid tax on undistributed income in accordance with section 96 of the Act, which shares were held on December 31, 1944, by a corporation or other shareholder who would not have been liable to tax in respect of dividends on the shares so that the private company was not required to pay tax on the respective portion of undistributed income, such tax to be payable in respect of dividends paid to the individual out of the said respective portion of undistributed income, at the following rates:

(a) where the shares were acquired by the individual in the years 1945 and 1946—at a rate of 15 per cent; and

(b) where the shares were acquired by the individual on or after January 1, 1947—at the rate that the private company would have paid tax on the respective portion of the undistributed income if an individual had held the shares on December 31, 1944.

## EXCESS PROFITS TAX ACT

Resolved that it is expedient to amend the Excess Profits Tax Act, 1940, and to provide:—

1. That a tax shall not be imposed under the said act on profits earned after December 31, 1947.

2. That no taxpayer shall be entitled to make application for determination of his standard profits on or after August 1, 1947.

## SPECIAL WAR REVENUE ACT

Resolved, that it is expedient to amend the Special War Revenue Act and to provide:—

1. That the tax in respect of transportation tickets or rights of transportation

(a) be removed in respect of transportation by vessel or aircraft extending outside of the northern part of the western hemisphere, except in respect of any part of such transportation that is between any port or station in Canada or the United States and any other port or station in Canada or the United States; and

(b) be extended to apply in respect of all transportation by vessel wholly within the northern part of the western hemisphere; and that the second proviso to subsection (1) of section 32, under which section the tax is imposed, be repealed.

2. That the tax on syrups enumerated in Customs Tariff Items 139 (except glucose and grape sugar) and 140 (except molasses) be reduced from 2 cents per pound to 1 cent per pound.

3. That the provisions relating to the imposition of the consumption or sales tax on the sale price of goods be amended to provide that where the sale price is payable in instalments, the tax will be payable pro tanto at the time of payment of the instalments whether or not there has been physical delivery of the goods.

4. That payment of sales and excise taxes be required without refund in respect of taxable goods purchased or imported for commercial or mercantile purposes by provincial governments or agents or servants thereof.

5. That payment of excise tax be required in respect of any performance, exhibition or contest that includes professional performers, horse races or motion pictures when held, staged or operated by the institutions, boards or other organizations mentioned in subsection (2) of section 122 of the said act.

6. That the excise tax on gasoline of three cents per imperial gallon be repealed effective on and after April 1, 1947.

7. That the enactments founded on this resolution, other than paragraph six come into force on the 30th day of April, 1947.

APPENDIX  
TO  
**THE BUDGET, 1947-48**

Budget Papers presented by the  
Honourable D. C. Abbott, M.P., for the  
information of Parliament on the occasion of the  
Budget of 1947-48

- A. Review of Government Accounts, 1946-1947.
- B. Tables of Economic Statistics.



## DOMINION OF CANADA

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### A. REVIEW OF GOVERNMENT ACCOUNTS, 1946-47

#### COMPARATIVE SUMMARY STATEMENT OF REVENUES AND EXPENDITURES

1. Although Canada's fiscal year ends on March 31st, the Government's books for each fiscal year remain open for some time thereafter, in order to record expenditures made to April 30th as provided by Section 32 of the Consolidated Revenue and Audit Act and to provide for adjustments which affect revenue and expenditure accounts as well as asset and liability accounts. Final figures for the fiscal year 1946-47 are not yet available, and accordingly the statements which follow, in so far as they relate to 1946-47 revenue, expenditure, investment and balance sheet items, must be regarded as preliminary.

2. The following tables show, by main categories and in detail, revenues, expenditures and the surplus (or decrease in net debt) for the fiscal year 1946-47 together with comparable figures for the four preceding fiscal years:

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS  
(Thousands of Dollars)

—	1942-43	1943-44	1944-45	1945-46	Estimated 1946-47
	\$	\$	\$	\$	\$
<b>TAX REVENUE—</b>					
<b>Direct Taxes—</b>					
<b>Direct Taxes on Incomes—</b>					
Individual Income Tax.....	534,138	813,435	767,755	691,586	695,000
Tax on Interest and Dividends.....	26,711	25,671	27,053	26,824	28,400
Taxes on Rents and Royalties.....	1,370	1,272	1,546	1,486	1,700
Corporation Income Tax.....	347,970	311,379	276,404	217,834	239,000
Excess Profits Tax.....	454,581	468,718	465,805	494,196	448,700
Total Direct Taxes on Incomes.....	1,364,770	1,620,475	1,538,563	1,431,926	1,412,800
Succession Duties.....	13,273	15,020	17,251	21,447	23,600
Total Direct Taxes.....	1,378,043	1,635,495	1,555,814	1,453,373	1,436,400
<b>Indirect Taxes—</b>					
Customs Import Duties.....	118,963	167,832	115,091	128,877	237,400
<b>Excise Duties—</b>					
Spirits, malt, etc.....	65,594	65,922	72,133	91,274	98,000
Cigars, cigarettes and tobacco.....	76,372	79,906	83,142	98,228	100,900
Licences.....	38	37	37	39	40
Less Refunds.....	—3,283	—3,741	—3,390	—2,815	—2,940
Total Excise Duties.....	138,721	142,124	151,922	186,726	196,000
<b>Excise Taxes—</b>					
<b>Taxes on Commodities—</b>					
Sales Tax.....	250,478	339,256	404,109	326,253	328,083
War Exchange Tax.....	94,553	118,913	98,164	41,198	338
Automobiles, rubber tires and tubes.....	3,062	6,000	6,480	6,701	16,340
Beverages.....	14,119	19,059	19,442	16,657	18,634
Candy and chewing gum.....	8,185	12,602	12,874	11,904	13,277
Cigars, cigarettes and tobacco.....	26,295	54,688	62,306	70,229	76,318
Cigarette papers and tubes.....	5,056	6,159	6,658	4,645	6,943
Electric and gas appliances.....	5,306	3,302	4,057	1,272	7
Furs.....	3,170	4,199	5,217	4,976	3,102
Gasoline.....	24,898	24,930	29,671	29,836	36,220
Matches and lighters.....	2,855	2,874	3,117	3,675	4,088
Phonographs, radios and tubes.....	1,191	491	1,112	646	2,526
Special excise on importations.....	480	508	545	787	1,185
Sugar.....	14,950	13,048	11,744	9,974	11,339
Toilet preparations and soaps.....	4,542	5,327	6,347	7,107	7,522
Trunks, bags, luggage, etc.....	2,187	4,170	4,134	4,711	5,710
Wines.....	2,007	1,710	1,772	2,066	2,394
Sundry.....	1,938	2,579	2,977	3,811	5,109
Taxes on Amusements and Services—					
Amusements.....	10,778	12,019	12,284	13,387	14,552
Tax on pari-mutuel bets.....	1,287	1,683	1,904	2,188	2,510
Transportation and communication	16,083	22,379	24,205	26,893	27,931
Stamps, including payment of taxes on jewellery, chinaware, cabaret attendance, etc.....	12,586	16,734	18,296	21,697	24,437
Licences, interest and miscellaneous	255	331	369	302	313
Less refunds (mainly sales tax)....	—17,549	—34,342	—194,719	—114,005	—29,878
Total Excise Taxes.....	488,712	638,619	543,065	496,910	579,000
<b>Other Taxes—</b>					
Chartered bank note circulation...	665	457	350	270	220
Insurance Companies.....	10,893	6,481	7,182	7,951	8,800
Miscellaneous.....	723	753	702	751	700
Total Indirect Taxes.....	758,677	956,316	818,312	821,485	1,022,120
Total Revenue from Taxes.....	2,136,720	2,591,811	2,374,126	2,274,858	2,458,520

STATEMENT OF REVENUES FOR THE LAST FIVE FISCAL YEARS—*Concluded*  
(Thousands of Dollars)

—	1942-43	1943-44	1944-45	1945-46	Estimated 1946-47
	\$	\$	\$	\$	\$
<b>NON-TAX REVENUE—</b>					
Post Office.....	48,869	61,071	66,056	68,613	75,000
Return on Investments.....	41,242	48,281	60,749	70,915	68,780
Bullion and coinage.....	5,883	8,732	4,586	4,954	2,300
Premium, discount and exchange.....	395	2,154	.....	.....	.....
Other.....	19,690	13,045	14,080	16,322	14,800
Total Non-tax Revenue.....	116,079	133,283	145,471	160,804	160,880
Total Ordinary Revenue.....	2,252,799	2,725,094	2,519,597	2,435,662	2,619,400
<b>SPECIAL RECEIPTS AND CREDITS—</b>					
Refunds of previous years' Special Expenditure.....	239	221	53	20	10
Special Receipts—War Appropriation Acts.....	18,651	98,918	352,918	626,616	367,578
War Donations.....	275	216	177	161	200
Canadian Wheat Board—					
Reduction in Reserve Account.....	6,660	2,971	589	.....	.....
Surpluses in certain special accounts.....	.....	.....	2,625	.....	1,700
Canadian National Railways—					
Net credit due to increase in Canadian National Railways Securities Trust Stock (contra).....	31,560 <sup>1</sup>	37,838	22,400	22,631	.....
Previous years' war expenditure on investment in Crown plants transferred to Active Assets.....	.....	53,448	7,143	174	.....
Other.....	1	26	.....	.....	.....
	57,386	193,638	385,905	649,602	369,488
<b>Capital and Non-active Accounts—</b>					
<b>Capital Accounts—</b>					
Refunds of previous years' expenditure.....	102	93	728	376	100
<b>Non-active Accounts—</b>					
National Harbours Board, reduction of indebtedness.....	15	.....	19	.....	10
Canadian National Railways Securities Trust Stock—reduction due to retirement of equipment during calendar year 1946.....	.....	.....	.....	.....	1,308
Canadian National (West Indies) Steamships, Limited, reduction of indebtedness.....	.....	164	549	.....	1,105
Canadian Pacific Railway—					
Repayment of loan made under Unemployment Relief Act, 1932.....	.....	1,000	.....	.....	.....
Write-downs to Consolidated Deficit Account—					
Seed Grain and Relief Loans....	42	29	36	45	60
Total Capital and Non-active Accounts.....	159	1,286	1,332	421	2,583
Total Special Receipts and Credits..	57,545	194,924	387,237	650,023	372,071
<b>TOTAL REVENUE.....</b>	<b>2,310,344</b>	<b>2,920,018</b>	<b>2,906,834</b>	<b>3,085,685</b>	<b>2,991,471</b>
Less estimated amount of refundable Income and Excess Profits Taxes..	70,000	155,000	219,500	72,500	7,200
<b>NET TOTAL REVENUE.....</b>	<b>2,240,344</b>	<b>2,765,018</b>	<b>2,687,334</b>	<b>3,013,185</b>	<b>2,984,271</b>

(<sup>1</sup>) Revised to be comparable with the presentation used in the Public Accounts of 1943-44, by netting the adjustments affecting the Canadian National Railways Securities Trust Stock.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS  
FOR THE LAST FIVE FISCAL YEARS

(Thousands of Dollars)

—	1942-43	1943-44	1944-45	1945-46	Estimated 1946-47
	\$	\$	\$	\$	\$
<b>ORDINARY EXPENDITURE</b>					
Agriculture.....	8,492	8,841	9,424	10,319	13,547
Auditor General's Office.....	441	348	361	379	401
Civil Service Commission.....	427	456	461	479	596
External Affairs, including Office of Prime Minister.....	1,156	1,596	1,974	4,583	5,631
Finance—					
Interest on Public Debt.....	188,556	242,681	318,995	409,134	461,035
Cost of Loan Flotations and Annual Amortization of Bond Discounts and Commissions.....	13,838	19,285	20,679	22,311	11,976
Premium paid on redemption of called bonds.....				5,842	260
Subsidies to Provinces.....	14,490	14,449	14,445	14,447	14,383
Miscellaneous Grants and Contribu- tions.....	526	528	531	617	96
Civil Pensions and Superannuation.....	398	356	325	293	240
Government contribution to Superan- nuation Fund.....	2,341	2,299	2,341	2,696	3,161
Old Age Pensions, including pensions to blind persons.....	29,976	30,377	32,187	(1) —	(1) —
Premium, Discount and Exchange.....			16,348	14,734	8,500
Compensation to Provinces under Dominion-Provincial Taxation Agree- ments—					
Income and Corporation Taxes.....	85,942	83,678	82,977	94,343	88,386
Gasoline Tax.....	8,273	11,757	10,357	3,709	—
Administrative and Sundry Expendi- ture.....	4,181	4,472	4,724	7,569	9,829
Fisheries.....	1,699	1,696	2,159	3,262	3,909
Governor General and Lieutenant Gov- ernors.....	225	222	223	227	239
Insurance.....	182	183	185	199	218
Justice.....	2,667	2,673	2,696	2,848	3,107
Penitentiaries.....	2,772	2,799	2,936	3,258	3,872
Labour.....	717	1,170	1,446	1,620	2,078
Unemployment Insurance Act, 1940—					
Administration.....	4,657	5,171	5,113	6,185	7,882
Government contribution.....	11,487	12,344	12,746	12,514	15,200
Government Annuities—					
Payments to maintain reserve.....	498	32	257	294	300
Legislation—					
House of Commons.....	1,827	1,915	1,612	2,235	2,616
Library of Parliament.....	76	77	72	74	91
Senate.....	555	562	485	727	885
General.....	61	86	95	98	167
Chief Electoral Officer, including elec- tions.....	1,447	88	179	3,091	168
Mines and Resources—					
Administration.....	160	167	168	160	176
Immigration.....	1,268	1,262	1,309	1,524	2,209
Indian Affairs.....	4,978	5,177	6,162	4,470	6,075
Lands, Parks and Forests.....	1,753	1,586	1,831	2,689	5,341
Surveys and Engineering.....	1,129	1,272	1,610	1,323	3,573
Mines and Geological Survey.....	1,140	1,125	1,216	1,303	2,080
Munitions and Supply.....	12	14	19	(2) —	(2) —
Dominion Fuel Board Administration					
Coal subsidies and subventions.....	4,965	2,165	2,737	(2) —	(2) —
National Defence—					
Administration.....	44	36	33	38	45
Sundry Services.....	371	32	34	89	191
National Health and Welfare.....	1,244	1,617	1,725	6,148	8,406
National Film Board.....	—	—	—	1,146	1,184
Old age pensions, including pensions to blind persons.....	(3) —	(3) —	(3) —	33,715	35,992
Family Allowances.....				172,632	245,225

(1) See Department of National Health and Welfare.

(2) See Department of Reconstruction and Supply.

(3) See Department of Finance.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS  
FOR THE LAST FIVE FISCAL YEARS—*Continued*

(Thousands of Dollars)

—	1942-43	1943-44	1944-45	1945-46	Estimated 1946-47
<b>ORDINARY EXPENDITURE—<i>Con.</i></b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
National Revenue (including Income Tax).....	15,190	17,721	20,114	22,630	27,895
National War Services.....	428	547	838	5	—
Post Office.....	44,742	48,485	54,629	57,730	65,988
Privy Council.....	62	80	81	419	747
Public Archives.....	123	124	124	127	151
Public Printing and Stationery.....	245	235	232	238	293
Public Works.....	12,014	12,281	13,169	16,283	27,178
Reconstruction and Supply.....	—	—	969	2,103	1,922
Dominion Fuel Board Administration, Coal subsidies and subventions.....	(4)	(4)	(4)	2,339	1,902
Royal Canadian Mounted Police.....	6,242	6,678	7,183	7,284	9,511
Secretary of State.....	820	831	864	954	1,131
Trade and Commerce.....	4,566	4,196	3,497	4,053	7,423
Canada Grain Act.....	1,918	2,089	2,333	2,303	2,527
Mail Subsidies and Steamship Subven- tions.....	616	800	869	994	1,182
Transport—					
Administration.....	375	397	402	403	504
Air Service.....	3,334	3,593	3,939	4,196	5,952
Marine Service.....	4,257	4,504	4,897	4,893	6,123
Railways and Canals.....	3,352	4,107	4,294	4,430	4,970
Maritime Freight Rates Act.....	4,894	5,058	4,733	4,345	4,860
Veterans Affairs—					
Departmental Administration.....	162	176	196	1,142	1,625
Pensions (War 1914-18 and military).....	39,684	38,998	39,372	39,996	40,714
War Service gratuities and re-establish- ment credits.....	—	—	20,228	(5) —	(5) —
Treatment and after-care of returned soldiers and allowances to dependents.....	12,689	14,050	19,845	28,551	44,912
Soldier Settlement and Veterans Land Act.....	567	837	1,391	3,160	7,172
<b>Total Ordinary Expenditure...</b>	<b>561,251</b>	<b>630,381</b>	<b>767,376</b>	<b>1,061,902</b>	<b>1,233,952</b>
<b>CAPITAL EXPENDITURE</b>					
Railways.....	38	692	630	2,313	3,078
Public Works.....	3,238	1,930	2,534	2,195	10,127
<b>Total Capital Expenditure..</b>	<b>3,276</b>	<b>2,622</b>	<b>3,164</b>	<b>4,508</b>	<b>13,205</b>
<b>WAR, DEMOBILIZATION AND RECONVERSION EXPENDITURE</b>					
National Defence—Defence Research....	—	—	—	—	5,017
National Defence—Army—					
Army Services.....	1,021,944	1,312,348	1,243,733	935,006	213,405
Internment Operations.....	1,556	1,100	1,580	1,002	95
Inspection Board of the U.K. and Canada.....	10,946	10,522	8,362	6,124	—
Inspection Board of Canada.....	—	—	—	—	2,500
Sundry.....	3,344	4,835	8,080	7,446	204
National Defence—Naval Services.....	1,037,790	1,328,805	1,261,755	949,578	221,221
National Defence—Air Services—	210,182	369,556	417,099	241,759	58,950
Overseas War Establishment.....	23,666	383,888	759,070	—	—
Overseas Operations.....	—	—	—	197,078	4,700
Home War Establishment.....	226,550	312,761	227,942	—	—
Western Hemisphere Operations.....	—	—	—	108,032	36,430
Air Training.....	366,897	233,893	272,342	—	—
Training Organization.....	—	—	—	74,770	11,550
Repatriation and Demobilization.....	—	—	—	72,153	16,200

(4) See Department of Munitions and Supply.

(5) See War and Demobilization.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS  
FOR THE LAST FIVE FISCAL YEARS—Continued

(Thousands of Dollars)

—	1942-43	1943-44	1944-45	1945-46	Estimated 1946-47
National Defence—Air Services— <i>Con.</i>	\$	\$	\$	\$	\$
Restricted Servicing Units.....	—	—	—	38,623	
General Servicing Units.....	—	—	—	14,884	16,000
Surplus Equipment Units.....	—	—	—	815	
Headquarters and Commands Admin- istration.....	—	—	—	17,880	11,300
Sundry.....	122	124	102	97	90
Reconstruction and Supply (formerly Munitions and Supply)—	617,235	930,666	1,259,456	524,330	96,270
Administration, reconversion and operation of Crown Companies and/ or Crown Plants.....	—	—	—	—	8,500
Administration.....	9,457	9,957	8,841	6,858	4,250
Housing Developments.....	—	—	—	—	31,500
Expansion of Industry.....	469,675	672,804	205,039	112,675	(10) 10,500
Emergency Coal Production Board....	—	—	—	—	—
Acquisition of U.K. Assets.....	200,000	5,000	1,964	—	—
Acquisition of U.S. Assets.....	—	—	—	1,906	—
Liquidation of Contracts.....	—	—	—	—	24,500
Termination of Contracts.....	—	—	—	151,846	45,000
National Research Council.....	2,091	2,640	2,932	2,385	4,026
Sundry.....	—	—	—	3,137	5,124
Agriculture—	681,223	690,401	218,776	278,807	133,400
Disposal of agricultural products ren- dered surplus by the war.....	2,901	1,876	1,194	354	975
Freight assistance on western feed grains.....	10,318	17,754	15,943	17,317	19,000
Payment to increase the income of farmers in the spring wheat area of Western Canada.....	2,678	19	2	—	—
Fertilizer subventions and freight allowance.....	1,036	903	446	438	600
Subsidy on western wheat used ex- clusively as feed for live-stock.....	836	4,500	7,471	7,864	7,000
Subsidy on milk and milk products...	—	29,505	42,330	41,659	37,950
Premium on hog carcasses suitable for export to U.K. ....	—	3,855	14,091	9,573	4,600
To provide for reserve stocks of feed grains.....	—	1,292	715	1,274	1,700
Sundry.....	2,211	4,589	5,862	4,499	1,579
Finance—	19,980	64,293	88,054	82,978	73,404
Comptroller of the Treasury.....	6,493	8,404	9,216	9,369	6,333
Payment of premiums on the purchase of Dominion of Canada Registered Stock.....	126	13	14	12	15
Wartime Prices and Trade Board—					
Administration.....	—	9,278	13,705	12,720	14,753
Subsidies due to application of Order placing a ceiling over all prices.....	67,715	81,519	107,338	97,819	100,000
Advances for payment of drawback claims to millers and other manu- facturers of wheat products.....	(6)	—	20,500	19,700	14,750
Advances to the Canadian Wheat Board to cover deficits in certain Board operations.....	—	—	—	—	26,000
House Conversion Program.....	—	—	13,058	—	(11)
Old Age Pensions, increased benefits..	—	841	4,053	1,764	(2)
Halifax V-E Day disorders and explo- sion—	—	3,062	8,788	(1) —	(1) —
Payment of claims.....	—	—	—	4,610	2,200
Expenses of investigations.....	—	—	—	248	165
Sundry.....	1,051	417	1,632	946	1,644
	84,663	128,461	176,519	144,271	149,607

(1) See Department of National Health and Welfare.

(2) See Department of Reconstruction and supply.

(6) See Department of Trade and Commerce.

(10) Included in previous years in Expansion of Industry.

(11) Included in Special Expenditure.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS  
FOR THE LAST FIVE FISCAL YEARS—*Continued*

(Thousands of Dollars)

—	1942-43	1943-44	1944-45	1945-46	Estimated 1946-47
WAR, DEMOBILIZATION AND RECONVERSION EXPENDITURE— <i>Con.</i>	\$	\$	\$	\$	\$
Labour—					
Industrial training.....	4,360	3,478	1,617	701	15
Training aircraft mechanics.....	2,019	1,378	333	3	—
National Selective Service program.....	4,737	9,346	11,098	11,268	11,031
Removal of enemy aliens from protected areas.....	4,328	2,545	2,137	2,203	3,235
Vocational training for discharged members of the Canadian Armed Forces.....	22	167	602	4,365	12,300
Vocational Schools—Payments to Provinces.....	—	—	—	607	3,000
Sundry.....	1,361	2,724	3,877	3,712	3,292
	16,827	19,638	19,664	22,859	32,873
Mines and Resources—					
Prince Rupert—Terrace—Cedarvale Highway.....	2,965	5,750	2,499	8	—
Employment of Japanese.....	1,686	894	511	262	50
Aerial Photography.....	—	—	51	572	1,050
Sundry.....	1,626	2,761	2,753	2,633	2,245
	6,277	9,405	5,814	3,475	3,345
National War Services—					
War Charities—Auxiliary services.....	6,499	10,910	15,933	(1) 13,070	(1) —
National Film Board.....	122	1,220	1,341	(1) —	(1) —
Censorship.....	1,070	1,727	1,856	859	—
Sundry.....	954	1,330	6,852	316	72
	8,645	15,187	25,982	14,245	72
National Health and Welfare—					
Old Age Pensions, increased benefits.....	—	(3) —	(3) —	9,103	9,545
National Film Board.....	(7) —	(7) —	(7) —	1,391	1,038
Sundry.....	(8) —	(8) —	1,340	744	121
	—	—	1,340	11,238	10,704
Privy Council—					
Canadian Information Service (formerly Wartime Information Board).....	1,474	759	1,700	1,229	(12) —
Sundry.....	29	86	58	43	57
	1,503	845	1,758	1,272	57
Public Works.....	6,880	6,467	6,500	6,205	3,796
Royal Canadian Mounted Police.....	3,870	4,267	3,709	4,775	1,808
Trade and Commerce—					
Gift of wheat to Greece.....	3,835	8,798	6,749	—	—
Canadian Wheat Board—					
Advances for payment of drawback claims to millers and other manufacturers of wheat products.....	3,000	(3) —	(3) —	(3) —	(3) —
Special administration expenses.....	—	—	—	963	—
Sundry.....	529	745	670	809	641
	7,364	9,543	7,419	1,772	641
Transport.....	5,762	9,941	16,433	15,013	10,591
Acquisition of Airfields and Works from United States Government.....	—	66,600	18,661	—	—
Veterans Affairs—					
Treatment—Defence Forces.....	—	—	11,449	26,298	50,000
Pensions—Defence Forces.....	—	—	11,939	22,200	33,800
Additions, alterations and improvements to departmental hospitals, including land purchases.....	—	—	5,738	7,371	9,000
Post-discharge re-establishment rehabilitation benefits.....	—	—	2,468	32,131	100,000
War service gratuities and re-establishment credits.....	—	—	(9) —	239,585	319,500
Sundry.....	—	—	1,165	774	276
	—	—	32,759	328,359	512,576

(1) See Department of National Health and Welfare.

(3) See Department of Finance.

(7) See National War Services.

(8) Included in Pensions and National Health.

(9) Included in ordinary expenditure.

(12) Included in Department of External Affairs (Other Departments).

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS  
FOR THE LAST FIVE FISCAL YEARS—*Continued*

(Thousands of Dollars)

—	1942-43	1943-44	1944-45	1945-46	Estimated 1946-47
	\$	\$	\$	\$	\$
<b>WAR, DEMOBILIZATION AND RECONVERSION EXPENDITURE—<i>Con.</i></b>					
Pensions and National Health—					
Treatment—Defence Forces.....	4,175	6,456			
Pensions—Defence Forces.....	2,760	5,637			
Air Raid Precautions.....	5,027	1,724			
Post-discharge re-establishment.....	296	472			
Sundry.....	2,062	3,663			
Other Departments.....	14,320 1,728	17,952 2,363	— 3,256	— 2,836	— 2,373
Write-off of Air Training Plan Loans and Advances as per United Kingdom Financial Agreement Act, 1946.....	—	—	—	425,000	—
The War Appropriation (U.K. Financing) Act, 1942.....	1,000,000	—	—	—	—
Mutual Aid (excluding administration).....	—	912,578	792,200	766,862	1,500
Military Relief.....	—	—	50,199	34,463	—
Canada's Contribution to UNRRA.....	—	55	11,093	142,852	—
Total War, Demobilization and Reconversion Expenditures.....	3,724,249	4,587,023	4,418,446	4,002,949	1,313,188
<b>SPECIAL EXPENDITURE</b>					
Agricultural and Relief Projects.....	5,013	3,751	3,869	4,423	4,420
Western Drought Area Relief—					
Prairie Farm Assistance Act, 1939—					
Administration.....	157	217	188	327	343
Advances to Prairie Farm Emergency Fund.....	249	2,578	1,295	12,052	6,500
Wheat acreage reduction plan—					
Administration.....	1,342	848	261	159	—
Payments of awards to farmers.....	24,527	30,102	1,707	397	4
Deficits—Canadian Wheat Board.....	—	—	(13)	—	20,562
Provision of reserve to meet deficits resulting from the operations of the Canadian Wheat Board not previously provided for.....	—	—	186	—	—
Total Special Expenditure...	31,288	37,496	7,506	17,358	31,829
<b>GOVERNMENT OWNED ENTERPRISES</b>					
Losses charged to Consolidated Deficit Account—					
Prince Edward Island Car Ferry and Terminals.....	591	698	773	688	889
Canadian National Railways.....	—	—	—	—	8,962
National Harbours Board.....	—	30	59	86	115
Total Charged to Consolidated Deficit Account.....	591	728	832	774	9,966
Loans and advances non-active—					
National Harbours Board.....	657	579	526	560	704
Total non-active advances.....	657	579	526	560	704
Total government-owned enterprises.....	1,248	1,307	1,358	1,334	10,670

(13) Deficits charged to the War Appropriation in 1944-45.

STATEMENT OF EXPENDITURES BY MAJOR CATEGORIES AND BY DEPARTMENTS  
FOR THE LAST FIVE FISCAL YEARS—*Concluded*

(Thousands of Dollars)

—	1942-43	1943-44	1944-45	1945-46	Estimated 1946-47
	\$	\$	\$	\$	\$
<b>OTHER CHARGES</b>					
Write-down of assets chargeable to Consolidated Deficit Account—					
Reduction of soldier and general land settlement loans.....	51	553	325	36	284
Reduction of Veterans' Land Act Advances.....	—	—	—	—	30
Yearly established losses in seed grain and relief accounts—					
Department of Mines and Resources, Cancellation of Canadian Farm Loan Board Capital Stock.....	42	29	36	45	60
To provide a reserve for possible losses on ultimate realization of Active Assets.....	7	5	1	1	1
25,000	25,000	25,000	25,000	25,000	25,000
Provision for reserve for conditional benefits under Veterans' Land Act..	—	—	—	464	2,600
Canadian National Railways Securities Trust Stock—reduction due to retirement of equipment during calendar year, 1946.....	—	—	—	—	1,308
Canadian National Railways Securities Trust Stock—					
Net changes in Dominion's equity in Canadian National Railways.....	31,560	37,838	22,400	22,631	—
Total other charges.....	56,660	63,425	47,762	48,177	29,283
<b>Grand Total expenditures...</b>	<b>4,377,972</b>	<b>5,322,254</b>	<b>5,245,612</b>	<b>5,136,228</b>	<b>2,632,127</b>

SUMMARY OF REVENUES AND EXPENDITURES

(Thousands of Dollars)

—	1942-43	1943-44	1944-45	1945-46	Estimated 1946-47
	\$	\$	\$	\$	\$
<b>Ordinary revenues.....</b>					
Ordinary revenues.....	2,182,799	2,570,094	2,300,097	2,363,162	2,612,200
Capital refunds.....	102	93	728	376	100
Special receipts and other credits.....	57,443	194,831	386,509	649,647	371,971
<b>Total revenues.....</b>	<b>2,240,344</b>	<b>2,765,018</b>	<b>2,687,334</b>	<b>3,013,185</b>	<b>2,984,271</b>
<b>Ordinary expenditures.....</b>					
Ordinary expenditures.....	561,251	630,381	767,376	1,061,902	1,233,952
Capital expenditures.....	3,276	2,622	3,164	4,508	13,205
War expenditures.....	3,724,249	4,587,023	4,418,446	4,002,949	1,313,188
Special expenditures.....	31,288	37,496	7,506	17,358	31,829
Government Owned Enterprises.....	1,248	1,307	1,358	1,334	10,670
Other charges.....	56,660	63,425	47,762	48,177	29,283
<b>Total expenditures.....</b>	<b>4,377,972</b>	<b>5,322,254</b>	<b>5,245,612</b>	<b>5,136,228</b>	<b>2,632,127</b>
<b>Surplus (+) or Deficit (-).....</b>	<b>-2,137,628</b>	<b>-2,557,236</b>	<b>-2,558,278</b>	<b>-2,123,043</b>	<b>+ 352,144</b>

## ANALYSIS OF REVENUES, 1946-47

3. Although the accounts are not yet closed, it is estimated that grand total revenues for the fiscal year 1946-47 will reach \$2,984,271,000. While this indicates a decline of \$28,914,000 from the previous year's grand total, it should be borne in mind that the grand total for each year contains a large amount of special receipts and credits from bookkeeping transactions arising out of the war and the sale of surplus war assets. Such items, which have been abnormally high in the last three fiscal years, are largely non-recurring. Because of such items a comparison of grand total revenues is not as significant as a comparison of ordinary revenues which in 1946-47 exceeded the total for the previous year by \$249,038,000 and was indeed the highest in Canada's history.

4. Throughout 1946-47 tax revenues have been remarkably buoyant and despite tax reductions the total revenue from taxes was higher than in the previous year. Total direct taxes on personal and corporate incomes yielded \$1,405,600,000 or 47.1% of total revenues. Excise taxes and duties also held a very important position contributing \$775,000,000 or 26.0% of the total. Customs import duties provided \$237,400,000 or 8.0%. Non-tax revenues aggregated \$160,880,000, and there were special receipts and credits amounting to \$372,071,000.

5. The amount of \$7,200,000 was set aside as a reserve for the refundable portion of excess profits taxes and this has been deducted in arriving at the revenue total given above. The distribution of these reserves is set out in the section relating to excess profits tax.

## ORDINARY REVENUES

6. The personal income tax which yielded \$695,000,000 was again the largest single source of revenue. Despite the substantial reductions in tax rates which were in effect the receipts were slightly higher than in 1945-46, reflecting the very high level of employment and increased incomes during the year. A further influence was the considerable number of servicemen who began to receive taxable incomes as they returned to civilian employment.

7. Corporation income tax and excess profits tax which are both levied on business profits yielded a combined total of \$687,700,000 which was \$24,330,000 less than the previous year's combined total. The corporation income tax yield of \$239,000,000 was \$21,166,000 more than in the previous year while the excess profits tax yield of \$448,700,000 showed a decline of \$45,496,000. The lower return from the excess profits tax reflects the changes announced in the 1945 budget which became effective on January 1, 1946. An important factor causing the yield of the corporation income tax to increase was the receipt of substantial amounts in 1946-47 from private companies paying the tax on accumulated undistributed income as provided by Part XVIII of the Income War Tax Act.

8. The liability of corporations to pay refundable excess profits tax was lifted after January 1, 1946, but those which had fiscal years ending after that date were required to pay, during 1946, this tax on a part of their profits proportionate to that portion of their fiscal year which fell in the calendar year 1945. The amount of refundable excess profits tax and personal income tax reserve classified by the taxation years to which it relates, is shown in the table below. The amount of reserve established in the fiscal year under review was \$7,200,000 and this was entirely on account of the excess profits tax. These figures represent estimates which are subject to revision before the books of the year are closed.

Taxation Year	Refundable Personal Income Tax	Refundable Excess Profits Tax
	\$	\$
1942.....	58,000,000	31,200,000
1943.....	135,000,000	67,500,000
1944.....	72,000,000	72,700,000
1945.....		70,500,000
1946*.....		17,300,000
Gross Total.....	265,000,000	259,200,000
Less repayments.....	3,669,000	4,000
Net Total.....	261,331,000	259,196,000

\* Corporation fiscal years ending in 1946.

9. Revenues under the headings "Taxes on Dividends and Interest" and "Taxes on Rents and Royalties" are derived from special taxes, largely on income going to non-residents of Canada, under authority of Section 9 B of the Income War Tax Act. In 1946-47, revenue under these two headings amounted to a total of \$30,100,000, an increase of \$1,790,000 over the previous year.

10. Succession duties, which have been levied by the Dominion Government only since 1941 have shown a gradual increase from year to year. This upward trend was continued in 1946-47, total receipts of \$23,600,000 being \$2,153,000 higher than during the previous year.

11. Net revenue from customs import duties reached the unprecedentedly high total of \$237,400,000 and exceeded the previous year's yield by \$108,523,000. Industrial reconversion, high consumer purchasing power and insistent demand for goods long in short supply have tended to increase imports and this increased volume of imports, together with the higher money value upon which customs duties were levied have brought substantially increased revenue from this source.

12. Excise duties which are levied exclusively on alcoholic beverages and tobacco products brought in a total revenue of \$196,000,000, an increase of \$9,274,000 over the previous year. Most of this increase was contributed by alcoholic beverages. The smoker's contribution to the Federal Treasury continued to be large with the over-all revenue from tobacco products (including the yield of the additional taxes imposed under the Special War Revenue Act on tobacco, cigarettes, cigarette papers and tubes, pipes and smokers' accessories) amounting to \$184,161,000, which is 7.5% of total revenue from taxes.

13. The heading "Excise Taxes" includes the wide variety of commodity taxes levied under the Special War Revenue Act, of which the sales tax and the taxes on tobacco products were the largest sources of revenue in 1946-47. Gross collections were \$2,037,000 lower than in the previous year, but because refunds of excise taxes have declined from \$114,878,000 in 1945-46 to the more normal peacetime figure of \$29,878,000 for 1946-47, the net revenue from excise taxes was \$82,090,000 higher in 1946-47 than in the previous year. When it is considered that the war exchange tax which yielded \$41,198,000 in 1945-46 was not in effect in 1946-47, this increase in total net revenue from excise taxes is all the more notable, reflecting greater supplies of goods, a somewhat higher price level and a continuing high volume of purchasing power in the hands of the public.

With a few minor exceptions, all excise taxes showed an increase in 1946-47. The tax on furs which was changed in October 1945 from 25% at point of dressing with no sales tax, to 10% and sales tax, showed a decline. The war exchange tax

and the tax on electric and gas appliances which were not in effect during the year yielded only insignificant clean-up amounts. The gross revenue from sales tax increased slightly, but as a greater part of the refunds of excise taxes are in connection with the sales tax the net yield from this source showed a considerable increase. The net yield from the sales tax continues at a very high level despite the changes in 1945 which excluded equipment and apparatus used in production as well as building materials from this tax.

Some of the sources from which a considerable increase in excise tax revenue was derived and the amounts of the increase in each case are as follows:—

Automobiles, tires and tubes.....	\$9,639,000
Beverages.....	1,977,000
Cigars, cigarettes and tobacco.....	6,089,000
Cigarette papers and tubes.....	2,298,000
Gasoline.....	6,384,000
Phonographs, radios and tubes.....	1,880,000
Special excise on importations.....	398,000
Sugar.....	1,365,000
Amusements.....	1,165,000

14. Small amounts of tax revenue are derived from the tax on the note circulation of the chartered banks which decreases from year to year with the decline in circulation of such notes as provided by statute; from the taxes on the net premium income of insurance companies; from a tax on the export of electrical energy from Canada; and from a tax on the export of furs from the Northwest Territories. Revenues from all of these taxes in 1946-47 amounted to \$9,720,000.

15. Non-tax revenues for 1946-47 are estimated at \$160,880,000, an increase of \$76,000 from the previous year. Receipts from the Post Office again showed an increase with the total of \$75,000,000, exceeding 1945-46 by \$6,387,000. These receipts exceeded the cost of operating the Post Office by about \$9,012,000, without taking into account any credit for service rendered other departments free of charge and without adding into the cost of operations such items as rentals and other costs of premises occupied by the post office. Return on Investments realized \$68,780,000, a decline from the previous year of \$2,135,000. The larger items making up the total of return on investments are: interest on advances to Canadian National Railways, \$21,500,000; dividends paid and profits transferred by the Bank of Canada, \$21,236,000; interest on loans to Foreign Exchange Control Board, and on bonds held in Securities Investment Account, \$16,540,000; interest on loans to National Harbours Board \$3,450,000; interest on loans to Provinces, \$2,859,000; interest on loans to Canadian Farm Loan Board, \$666,000; and interest on Soldier Land Settlement and Veterans' Land Act Loans, \$738,000.

#### SPECIAL RECEIPTS AND CREDITS

16. The estimated total of Special Receipts and Credits for the fiscal year 1946-47 is \$372,071,000, as compared with \$650,023,000 for the previous year. Of this total the sum of \$367,578,000 represents receipts arising from war and demobilization expenditures and consists of Refunds of Previous Years' War Expenditures, \$134,977,000; Sale of Surplus War Assets, \$182,400,000; and Miscellaneous War, Demobilization and Reconversion Revenues, \$50,201,000.

A breakdown of Refunds of Previous Years' War Expenditures with details of the larger items, follows:—

Canadian Mutual Aid Board.....	\$ 4,300,000
National Defence—Army.....	6,700,000
National Defence—Navy.....	1,061,000
National Defence—Air.....	4,286,000

## Reconstruction and Supply—

Credit from Munitions Production Allotment Fund, representing mainly return of working capital advances from prefinanced plants, \$47,000,000; refunds on contracts in connection with cost audits and re-negotiation \$50,000,000; sundries \$3,000,000.....	100,000,000
Allied Military Lire Suspense Account as authorized by Vote 687 of Further Supplementary Estimates, 1946-47	7,530,000
Dominion Government War Risk Insurance Scheme—transfer to revenue of special funds set up in prior years as War Damage Insurance Special Account.....	9,600,000
Sundry Departments.....	1,500,000
	<u>\$ 134,977,000</u>

The amount of \$182,400,000 which it is estimated will be realized during the year through the disposal of surplus war assets, does not include residual cash balances or value of accounts receivable carried by War Assets Corporation as at March 31, 1947.

Included in the amount of \$50,201,000 for Miscellaneous War, Demobilization and Reconversion Revenues is the sum of \$30,000,000 derived from the operation of Park Steamships Limited.

17. The table which follows gives a summary of the forecast made at the time of the last budget of the probable receipts from the various sources of revenue during the fiscal year 1946-47, and a comparison of these forecasts with receipts for the fiscal year.

**DETAILED STATEMENT OF BUDGET FORECAST COMPARED WITH ACTUAL REVENUE  
FOR 1946-47**

Source of Revenue	Budget Forecast of Revenue	Actual Revenue	Increase (+) or decrease (-) in revenue as compared with budget forecast
(thousands of dollars)			
<b>TAX REVENUES</b>			
Customs Duties.....	183,000	237,400	+ 54,400
Excise Duties.....	195,000	196,000	+ 1,000
Excise Taxes:			
Sales Tax (net).....	250,000	298,205	+ 48,205
Other Excise Taxes.....	259,000	280,795	+ 21,795
Total Excise Taxes.....	509,000	579,000	+ 70,000
Income Taxes:			
Tax on personal incomes.....	615,000	695,000	+ 80,000
Corporate Income Tax and Excess Profits Tax.....	540,000	687,700	+ 147,700
Interest and Dividends.....	30,000	30,100	+ 100
Total Income Taxes.....	1,185,000	1,412,800	+ 227,800
Succession Duties.....	24,000	23,600	- 400
Miscellaneous Taxes.....	9,000	9,720	+ 720
Total Tax Revenues.....	2,105,000	2,458,520	+ 353,520
Non Tax Revenues.....	170,000	160,880	- 9,120
Total.....	2,275,000	2,619,400	+ 344,400
Special Receipts and Credits.....	200,000	372,071	+ 172,071
Total Revenue.....	2,475,000	2,991,471	+ 516,471
Less Refundable Taxes.....		7,200	- 7,200
Net Total Revenue.....	2,475,000	2,984,271	+ 509,271

## ANALYSIS OF EXPENDITURES, 1946-47

18. Expenditures are dealt with under the classifications of Ordinary Expenditures, Capital Expenditures, Demobilization and Reconversion Expenditures, Special Expenditures, Government Owned Enterprises, and Other Charges.

### ORDINARY EXPENDITURES

19. Ordinary expenditures are estimated for the fiscal year 1946-47 at \$1,233,952,000 compared with \$1,061,902,000 in the previous fiscal year, an increase of \$172,050,000. The largest increase, \$72,593,000 was in the payment of family allowances which totalled \$245,225,000 for the full year compared with \$172,632,000 for the nine-month period of the previous fiscal year during which this programme was in operation. Other estimated increases of significant amounts were as follows:

Increase in interest and public debt charges.....	\$ 35,984,000
Increase in Department of National Revenue expenditures	5,265,000
Increase in Post Office expenditures.....	8,258,000
Increase in Department of Public Works expenditures....	10,894,000
Increase in cost of treatment and after-care of returned soldiers.....	16,361,000
Increase in cost of administering Soldier Settlement and Veterans' Land Acts.....	4,012,000

Other increases as well as the decreases effected during the year are shown in the five-year table.

It is of importance to note that of the total estimated ordinary expenditures of \$1,233,952,000, the larger contractual and uncontrollable items accounted for \$998,942,000 or 80.9%. These items are interest and other charges on the public debt, subsidies and payments to provinces under the Dominion-Provincial Taxation Agreements, family allowances, premium, discount and exchange, unemployment insurance, post office, pensions and superannuation.

### CAPITAL EXPENDITURE

20. Estimated capital expenditures totalled \$13,205,000 in the fiscal year 1946-47, compared with \$4,508,000 in the previous fiscal year. The main items are costs of dredging the St. Lawrence Ship Channel, improvements in connection with civil airways and airports, the construction of the new Prince Edward Island car ferry and flight equipment for the Trans-Atlantic Air Service.

### DEMOBILIZATION AND RECONVERSION EXPENDITURE

21. Demobilization and Reconversion expenditures are estimated at \$1,313,188,000. This is 49.9% of the total expenditures for the year under review.

The Department of Veterans Affairs expended \$512,576,000 of which war service gratuities and re-establishment credits amounted to \$319,500,000, post-discharge rehabilitation benefits \$100,000,000, and treatment of defence forces and pensions, World War II, \$83,800,000.

The Department of National Defence expended \$376,441,000, divided between Army services \$216,204,000; Naval services \$58,950,000; Air services \$96,270,000; and Defence research \$5,017,000.

Expenditures by the Department of Finance under this category totalled \$149,607,000. Of this amount expenditures by the Commodity Prices Stabilization Corporation and the Canadian Wool Board Limited, together with the costs of administration of the Wartime Prices and Trade Board, accounted for

\$113,791,000, while advances to the Canadian Wheat Board for payment of drawback claims to millers and other manufacturers of wheat products amounted to \$26,000,000. The office of the Comptroller of the Treasury expended \$6,333,000 and the sum of \$2,365,000 was disbursed in connection with the Halifax Area explosion and V.E. Day damage claims.

The Department of Reconstruction and Supply expended \$134,900,000, of which the larger items were: liquidation and termination of contracts \$69,500,000; housing developments \$31,500,000; expenses and subsidies paid by the Emergency Coal Production Board \$10,500,000; and the administration, reconversion and operation of crown companies and crown plants, \$8,500,000.

Another department which expended a considerable amount under the Demobilization and Reconversion appropriation was the Department of Agriculture which disbursed \$73,404,000. The larger items were: subsidies on milk for butter, for fluid milk, for cheese and for concentration purposes \$37,950,000; freight assistance on western feed grains, \$19,000,000; subsidy on wheat used as feed for livestock \$7,000,000; and premiums on hog carcasses \$4,600,000.

More complete details of Demobilization and Reconversion expenditure by departments and services for the fiscal year 1946-47 are given in the table which follows.

ESTIMATED DEMOBILIZATION AND RECONVERSION EXPENDITURES BY  
DEPARTMENTS AND SERVICES, FISCAL YEAR 1946-47

*Agriculture*—

Agricultural Food Board—

Subsidy on milk for butter, for fluid milk, for cheese and for concentration purposes, including undischarged commitments of previous years.....	\$ 37,950,000
Sundry.....	50,000\$ 38,000,000

Agricultural Supplies Board—

Assistance in the disposal of surplus agricultural products.	975,000
Freight assistance on western feed grains.....	19,000,000
Subsidy on wheat used as feed for live stock.....	7,000,000
Reserve stocks of feed grains..	1,700,000
Fertilizer subventions and freight allowances.....	300,000
Fertilizer and bulk purchases of fertilizer chemicals.....	300,000
Lime for soil amendment purposes.....	310,000
Sundry.....	253,000

Dairy Products Board.....

Meat Board:

Premium on hog carcasses.....	4,600,000
Sundry.....	159,000

Special Products Board.....

Seed Export Office.....

Grosse Isle research project.....

4,759,000	
210,000	
11,000	
66,000	
	\$ 73,404,000

<i>Auditor General's Office</i> .....		\$200,000
<i>Civil Service Commission</i> .....		839,000
<i>External Affairs</i> —		
Canadian Information Service.....	\$	845,000
Sundry.....		109,000
		<hr/>
		954,000
<i>Finance</i> —		
Comptroller of the Treasury.....		6,333,000
Wartime Prices and Trade Board administration		13,250,000
Commodity Prices Stabilization Corporation..		100,000,000
Canadian Wool Board Ltd.....		541,000
Advances to Canadian Wheat Board for payments to millers and other manufacturers of wheat products.....		26,000,000
Halifax Area explosion and V-E Day damage administration expenses in connection with investigations.....		165,000
Payment of claims.....		2,200,000
Sundry.....		1,118,000
		<hr/>
		149,607,000
		216,000
<i>Fisheries</i> .....		
<i>Labour</i> —		
Vocational Training:		
Payments to the Provinces.....		3,000,000
Vocational training for discharged members of Canada's armed forces.....		12,300,000
Dispersal, maintenance and removal of Japanese Nationals and other persons of the Japanese race.....		3,235,000
National Employment Service—		
Expenditures by Unemployment Insurance Commission.....		10,788,000
General labour transference to industries and agriculture.....		600,000
Sundry.....		2,950,000
		<hr/>
		32,873,000
<i>Mines and Resources</i> —		
Administration.....		2,000
Mines and Geology Branch—		
Aerial photography.....		1,050,000
Construction and equipment of an extension to metallurgical laboratories.....		445,000
Sundry.....		621,000
Lands, Parks and Forests Branch.....		52,000
Surveys and Engineering Branch.....		610,000
Immigration Branch—		
For expenditures in connection with looking after Canadian interests abroad.....	\$	500,000
Sundry.....		65,000
		<hr/>
		565,000
		<hr/>
		3,345,000

*National Defence—*

Defence research.....	\$ 5,017,000
<i>Army and Related Services—</i>	
Army Services.....	\$205,414,000
Departmental administration... .	1,050,000
Experimental Station, Suffield. .	1,000,000
Internment operations and refugee camps..... .	95,000
Dependents Allowance Board... .	376,000
Dependents supplementary grants fund..... .	1,800,000
Inspection Board of Canada.... .	2,597,000
Imperial War Graves Commis- sion..... .	165,000
North West highway system... .	3,707,000
	216,204,000

*Naval Services—*

Navy.....	57,343,000
Royal Canadian Sea Cadets... .	755,000
Royal Canadian Navy Reserve	852,000
	58,950,000

*Air Services—*

Departmental administration... .	90,000
Western Hemisphere operations	36,430,000
Training organization..... .	11,550,000
Servicing units..... .	16,000,000
Overseas operations..... .	4,700,000
Repatriation and demobiliza- tion..... .	16,200,000
Headquarters and Commands administration..... .	11,300,000
	96,270,000
	\$ 376,441,000

*National Health and Welfare—*

Old age pensions and pensions to the blind.... .	9,545,000
National Film Board..... .	1,038,000
Sundry..... .	121,000
	10,704,000

*National War Services..... .**Post Office..... .**Privy Council Office..... .**Public Works—**Chief Architect's Branch—*

Repairs, alterations, operation and mainten- ance of buildings..... .	1,932,000
Rental of premises..... .	720,000
Sundry..... .	624,000
Chief Engineers Branch..... .	275,000
Telegraph Branch..... .	240,000
Contingencies..... .	5,000
	3,796,000

*Reconstruction and Supply—*

Departmental administration.....	\$ 4,250,000
To provide for the liquidation of contracts.....	24,500,000
Reconstruction projects.....	250,000
Housing development.....	31,500,000
Emergency Coal Production Board.....	10,500,000
Administration, reconversion and operation of crown companies and/or crown plants.....	8,500,000
Termination of contracts.....	45,000,000
To provide recoverable advances.....	2,500,000
To provide for the liquidation of outstanding commitments re mutual aid.....	1,500,000
Home conversion plan.....	125,000
Emergency shelter administration.....	2,207,000
Sundry.....	42,000
National Research Council.....	4,026,000
	_____ \$ 134,900,000

*Royal Canadian Mounted Police.....* 1,808,000

*Trade and Commerce.....* 641,000

*Transport—*

Departmental administration.....	62,000
Transport Controller's office.....	52,000
Director of merchant seamen.....	3,377,000
Purchase of properties required in Canada by United States government.....	200,000
Marine service.....	149,000
Railway and steamship services.....	187,000
Government employees' compensation.....	37,000
Civil Aviation Division—	
Airways and airports — operation and maintenance—	
Operation and maintenance of municipal and other airports.....	476,000
Airway and airport traffic control.....	700,000
Radio aviation services.....	1,694,000
Meteorological aviation services.....	1,153,000
Care, operation and maintenance of R.C.A.F. airfields transferred to the Department of Transport.....	564,000
Mackenzie River Route—operation, maintenance and acquisition of equipment.....	328,000
North East (Crimson) Staging Route-maintenance of airfields.....	71,000
Meteorological Division.....	1,141,000
Radio Division.....	385,000
Sundry.....	15,000
National Harbours Board.....	163,000
	_____
	10,754,000

**Veterans Affairs—**

Treatment and pension examination—World War II.....	\$ 50,000,000
Pensions—World War II.....	33,800,000
Post-discharge rehabilitation benefits.....	100,000,000
Hospital accommodation and facilities.....	9,000,000
War service gratuities.....	222,500,000
Re-establishment credits.....	97,000,000
Sundry.....	276,000
	—————\$ 512,576,000
<b>GRAND TOTAL.....</b>	<b>\$1,313,188,000</b>

**SPECIAL EXPENDITURES**

22. Special expenditures are estimated at \$31,829,000, an increase of \$14,471,000 over 1945-46. The principal changes in this category were due to a reduction of \$5,552,000 in advances to the Prairie Farm Emergency Fund and to the payment of \$20,562,000 to the Canadian Wheat Board for which there was no counterpart in the previous fiscal year. This latter item represented the payment to the Board of a sum equal to the total amount of the established deficits in certain accounts operated by the Board. Details of these deficits are given in the Further Supplementary Estimates for 1946-47.

**GOVERNMENT OWNED ENTERPRISES**

23. The classification of expenditures entitled Government Owned Enterprises comprises the losses of and non-active advances to government owned enterprises which had been established before the war and are operated as separate corporations. The total amount charged to expenditure in this category amounted to \$9,966,000, an increase of \$9,192,000 over the previous fiscal year. This increase was mainly due to the 1946 deficit of the Canadian National Railways, the first since 1940.

*Canadian National Railways*

24. The operating revenues of the Canadian National Railways for the calendar year 1946 totalled \$400,586,000, a decrease of 7.7% from those of 1945. Operating expenses of the Railway totalled \$357,237,000 compared with \$355,294,000 in 1945.

The net operating revenue of the Railway was \$43,349,000 and after deducting \$11,790,000 for taxes, and for equipment and joint facility rentals, there remained a net railway operating income of \$31,559,000. Other income, less deductions, totalled \$4,161,000, resulting in \$35,720,000 being available for interest. After payment of \$23,359,000 in interest on debt held by the public and \$21,323,000 in interest to the Government in respect of temporary loans for capital and refunding purposes, there was a net cash deficit of \$8,962,000. This amount was paid to the Railway by the Government and charged to expenditure.

The operating deficit of the Prince Edward Island Car Ferry and Terminals for 1946 was \$889,000 compared with \$688,000 in 1945.

*Canadian National Steamships*

25. The Canadian National (West Indies) Steamships, Limited, had an operating surplus of \$1,710,000 in the calendar year 1946 and earnings on the Company's Replacement Fund totalled \$197,000. From the total income of

\$1,907,000, there was paid for bond interest and exchange \$478,000, and for interest on Government advances \$126,000. The resulting income surplus was therefore \$1,302,000. Of this income surplus the sum of \$197,000 was retained in the Replacement Fund and the remainder, namely, \$1,105,000 was paid to the Government in reduction of advances made in prior years for deficits.

#### *National Harbours Board*

26. The operating income of the National Harbours Board for the calendar year 1946, after payment of interest to the public but before depreciation, reserve for replacements and interest on Government advances, was \$4,143,036, compared with \$5,596,000 in the previous year. Interest paid to the Government in the fiscal year ended March 31, 1947, totalled \$3,450,000.

Financial assistance provided by the Government to the National Harbours Board and charged to expenditure under the category of Government Owned Enterprises, totalled \$819,000, divided as follows: \$101,000 for the operating deficit of Churchill Harbour and \$14,000 for the operating deficit of Quebec Harbour; \$424,000 for non-active advances to meet the deficit of the Jacques Cartier Bridge at Montreal; \$242,000 for retirement of debentures of the Saint John Harbour Commission; and \$25,000, \$2,000, \$7,000 and \$4,000 for capital expenditures at the harbours at Saint John, Three Rivers, Halifax and Churchill respectively.

The elevators at Port Colborne and Prescott operated at a profit during the year and \$110,000 was paid to the Government.

#### OTHER CHARGES

27. Total expenditures in this final category are estimated at \$29,283,000, compared with \$48,177,000 in 1945-46.

28. The amount of \$25,000,000 has again been credited to the reserve to meet possible losses on the ultimate realization of active assets. Against this reserve was charged the sum of \$19,600,000 reflecting write-offs in connection with various loans and advances made during the war by the Department of Munitions and Supply to Crown Companies and in connection with Crown plants privately managed. Details of these write-offs will be found in the section dealing with changes in Loans, Advances and Investments. As a result of these credit and debit transactions this general reserve stood at \$155,400,000 at the close of the year.

29. The other items in this category which affect the net debt are as follows: the provision for reserve for conditional benefits under the Veterans' Land Act and the annual write-off of Soldier and General Land Settlement and Veterans' Land Act Loans and Canadian Farm Loan Board Capital Stock, aggregating \$2,915,000.

30. The loss of \$60,000 on seed grain and relief accounts administered by the Department of Mines and Resources does not increase the net debt as the write-off is from an amount already set aside in the non-active accounts to provide for revaluations and losses.

31. In 1945-46, the Dominion's equity in the Canadian National Railways as reflected in the Canadian National Railways Securities Trust Stock increased by \$22,631,000, representing the surplus earnings of the system, namely \$24,756,000, less capital loss on abandonments and retirements of \$2,125,000. During the fiscal year just closed, as the Railway had no surplus earnings in the calendar year 1946, the only change in the Securities Trust Stock was a decrease of \$1,308,000, representing the retirement of rolling stock. A deficit does not reduce the Dominion's equity as the amount of the deficit is paid to the Railway by the Government and charged as Government expenditure under the category of Government Owned Enterprises.

## SUMMARY OF EXPENDITURES

32. The estimated grand total of expenditure for the fiscal year 1946-47 under the various categories enumerated, namely Ordinary Expenditures, Capital Expenditures, Demobilization and Reconversion Expenditures, Special Expenditures, Losses of and Non-active advances to Government Owned Enterprises, and Other Charges, was \$2,632,127,000.

33. The table which follows shows the percentage distribution of estimated revenues and expenditures for a number of important items. Receipts from various taxes and other revenue sources, after deducting the \$7,200,000 of excess profits taxes estimated as refundable after the war, are shown as percentages both of total revenues and of total expenditures. Similarly, several of the main items of expenditure or groups of such items are shown as percentages both of total expenditures and of total revenues. The purpose of this table is to enable broad conclusions to be drawn as to the relative burdens imposed on the public treasury.

PERCENTAGE DISTRIBUTION OF ESTIMATED REVENUE AND EXPENDITURE, 1946-47

	Amount in thousands of dollars	Percentage of Total Revenue	Percentage to Total Expenditure
	\$	%	%
<b>Ordinary Revenue—</b>			
Customs Import Duties.....	237,400	7.95	9.02
Excise Duties.....	196,000	6.57	7.45
Excise Taxes—sales tax and other excise taxes.....	579,000	19.40	21.99
Income tax on persons, corporations, etc.....	964,100	32.31	36.63
Excess Profits Tax (net).....	441,500	14.79	16.77
Succession Duties.....	23,600	.79	.90
Other Tax Revenues.....	9,720	.33	.37
Total Revenue from Taxes.....	2,451,320	82.14	93.13
Non-tax Revenue.....	160,880	5.39	6.11
Total Ordinary Revenue.....	2,612,200	87.53	99.24
Special Receipts and Credits.....	372,071	12.47	14.14
Grand Total Revenue.....	2,984,271	100.00	113.38
	Amount in thousands of dollars	Percentage of Total Expenditure	Percentage to Total Revenue
	\$	%	%
<b>Ordinary Expenditure—</b>			
Interest on Public Debt.....	461,035	17.52	15.45
Other Public Debt Charges.....	12,278	.47	.41
Subsidies and payments to provinces under taxation agreements.....	102,769	3.90	3.44
Family Allowances.....	245,225	9.32	8.22
Old Age Pensions and pensions to blind persons.....	35,992	1.37	1.21
Unemployment Insurance Act, administration and Government's contribution.....	23,082	.88	.77
Agriculture.....	13,547	.51	.45
Mines and Resources.....	19,454	.74	.65
National Revenue.....	27,895	1.06	.93
Post Office.....	65,988	2.51	2.21
Public Works.....	27,178	1.03	.91
Transport.....	22,409	.85	.75
Veterans Affairs.....	94,423	3.59	3.17
All other.....	82,677	3.14	2.77
Total Ordinary Expenditure.....	1,233,952	46.89	41.34
Capital Expenditure.....	13,205	.50	.44

	Amount in thousands of dollars	Percentage of Total Expenditure	Percentage to Total Revenue
	\$	%	%
<b>Demobilization and Reconversion Expenditure—</b>			
National Defence—Army.....	221,221	8.40	7.41
Navy.....	58,950	2.24	1.98
Air.....	96,270	3.66	3.23
Reconstruction and Supply.....	134,900	5.13	4.52
Veterans Affairs.....	512,576	19.47	17.18
Other Departments.....	289,271	10.99	9.69
<b>Total Demobilization and Reconversion Expenditure..</b>	<b>1,313,188</b>	<b>49.89</b>	<b>44.01</b>
Special Expenditure.....	31,829	1.21	1.07
Government Owned Enterprises.....	10,670	.40	.36
Other Charges.....	29,283	1.11	.98
<b>Grand Total Expenditure.....</b>	<b>2,632,127</b>	<b>100.00</b>	<b>88.20</b>

### OVER-ALL SURPLUS

34. As total estimated revenues for the fiscal year 1946-47 were \$2,984,271,000 and estimated expenditures aggregated \$2,632,127,000, the over-all surplus or decrease in net debt for the year was \$352,144,000.

### LOANS, ADVANCES AND INVESTMENTS

35. In addition to the expenditures already detailed, the Government makes disbursements for the acquisition of investments which are treated as "active assets" and are deducted from total gross liabilities in arriving at the figure of net debt. The net increase in loans, advances and investments for 1946-47 was \$983,660,000. Details of these increases together with those for the four previous fiscal years will be found in the table on page 49.

#### *Railway and Steamship Companies*

36. There was a net decrease in loans and advances in this category during the fiscal year 1946-47 amounting to \$20,520,000. This was the result of transactions with the Canadian National Railways exclusively. The details of these transactions reflecting repayment by the Railway on account of previous loans and the making of new advances to the Railway are as follows:

#### *Repayments—*

From Dominion Guaranteed Bond Issue—

Applied to loans under Refunding Act, 1938.....\$ 3,888,565

Applied to loans under War Appropriation Act, 1941,

    Working Capital..... 13,907,000

Pre-payment of amounts due under Hire-Purchase Agreements—

1940 Agreement..... 8,927,715

1941 Agreement..... 15,208,977

\$ 41,932,257

*Repayments—Concluded*

Repayments of Instalments under Hire-Purchase Agreements—	
1936 Agreement.....	\$ 517,173
1940 Agreement.....	991,968
1941 Agreement.....	1,382,635
1943 Agreement.....	1,561,667
1944 Agreement.....	868,728
1946 Agreement.....	871,623
 Total Equipment Repayments.....	\$ 6,193,794

Total Repayments of Loans and Equipment Repayments.....	\$ 48,126,051
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*Advances—*

Under Canadian National Railways Refunding Act, 1944— for retirement of matured issues.....	\$ 23,502,000
Under Canadian National Railways Financing and Guar- antee Act, 1940—Purchase of Grand Trunk Railway Company of Canada 4% Perpetual Consolidated Debenture Stock.....	53,885
Under Canadian National Railways Financing and Guar- antee Acts, 1941 and 1942—Purchase of securities from Canadian holders.....	5,141
Under The War Appropriation (United Kingdom Financ- ing) Act, 1942—Purchase of securities from Govern- ment of the United Kingdom.....	101,361
Under the Trans-Canada Air Lines Act—Purchase of Capital Stock.....	3,943,023
 Total Advances by way of loan.....	\$ 27,605,410
 Net Repayments of Loans and Equipment Repayments.....	\$ 20,520,641

*United Kingdom and Other Governments—*

37. Net advances under this heading increased by \$647,689,000. The largest single change in this category during 1946-47 was the advances under the United Kingdom Financial Agreement Act, 1946, aggregating \$640,000,000, out of a total \$1,250,000,000 authorized by this Act. The Canadian dollar obligation of the Government of the United Kingdom under the authority of the War Appropriation (United Kingdom Financing) Act, 1942, was reduced by \$95,800,000, leaving a balance outstanding at the fiscal year end of \$42,764,000.

Advances made during the fiscal year to foreign governments and their agencies pursuant to agreements made under the Export Credits Insurance Act totalled \$267,371,000, made up as follows: Belgium, \$26,000,000; China, \$19,496,000; Czechoslovakia, \$1,669,000; France, \$156,400,000 (of which \$86,985,000 was used to repay advances obtained under Section 3 of the War Appropriation Act); The Netherlands, \$51,153,000; Netherlands Indies, \$3,900,000; Norway, \$8,661,000; and the Union of Soviet Socialist Republics, \$91,000.

The Government of the Union of Soviet Socialist Republics repaid during the fiscal year 1946-47, \$5,000,000 of a loan obtained under the authority of the War Appropriation Act in the amount of \$10,000,000.

Advances to the United Kingdom and other governments under the authority of Section 3 of the War Appropriation Act decreased during the fiscal year 1946-47, by \$158,880,000 (including repayment by the Government of France noted in the preceding paragraph). These advances represented mainly trading accounts operated by the Departments of Agriculture and Trade and Commerce for acquisition of food and other essential supplies for these governments.

*Sundry Government Agencies—*

38. Under the authority of the Appropriation Act, 1946, an advance of \$2,000,000 was made to the Canadian Broadcasting Corporation for the construction of capital facilities.

39. The net change in advances to the National Harbours Board during the year was an increase of \$114,000. An advance of \$186,000 was made for capital purposes at the port of Montreal, while a capital refund of \$72,000 was received from the Vancouver Harbour.

40. The net increase in the fiscal year in advances for Soldier Settlement and Veterans Land Act purposes amounted to \$54,268,000. This increase was occasioned by net advances of \$56,398,000 under the Veterans' Land Act, less net repayments by settlers of \$1,816,000 and less the sum of \$314,000 which was written off and charged to Consolidated Deficit Account.

41. Net advances to Sundry Crown Companies decreased during the fiscal year by \$11,104,000. Advances were made to the Canadian Commercial Corporation totalling \$2,500,000 and the total of the outstanding balance against the Commodity Prices Stabilization Corporation increased by \$946,000. Loans and advances to Eldorado Mining & Refining (1944) Limited outstanding at the beginning of the fiscal year in the amount of \$2,943,000 were transferred to Investments. Advances of \$6,457,000 to the Canadian Wool Board and of \$326,000 to the Wartime Food Corporation were repaid. The Melbourne Merchandising Limited ceased to carry on business in February 1947. Advances to the company outstanding at the beginning of the fiscal year in the amount of \$4,823,000 were liquidated by repayments of \$3,215,000, by a charge to reserve for contingent liabilities of \$949,000 and by a charge of \$659,000 to the general reserve for possible losses upon the ultimate realization of active assets. This latter charge was made under the authority of The Surplus Crown Assets Act, 1944.

42. Investments in connection with Crown Plants privately managed which totalled \$41,100,000 at the beginning of the fiscal year, were completely liquidated by March 31, 1947. The plants involved and the amount in each case had been as follows: Alberta Nitrogen Company Limited \$10,370,000; Canada Strip Mill Limited \$9,563,000 and Welland Chemical Works Limited \$21,167,000. The liquidation of these investments was by repayments and credits of \$12,272,000, by charges of \$9,918,000 to reserve for contingent liabilities—Crown Plants, and by charges of \$18,910,000 to the general reserve for possible losses upon the ultimate realization of active assets.

These plants were sold by War Assets Corporation and it was necessary to clear from the Dominion's books by a charge to the general reserve the amounts in the asset accounts remaining after having applied the proceeds of the sales and the amounts charged to the reserve for contingent liabilities—Crown Companies. These charges were made under the authority of The Surplus Crown Assets Act, 1944.

*Investments*

43. The Government's investment in the Canadian Farm Loan Board decreased during the year by \$600,000. The Board purchased out of surplus funds \$3,750,000 of its  $3\frac{1}{2}\%$  bonds due January 2nd, 1960, and approximately \$1,000 of the Board's capital stock was written off to Consolidated Deficit

Account. On the other hand, the Dominion purchased from the Board \$3,150,000 of 3% bonds due January 2nd, 1970. At the end of the fiscal year the Government's investment in the Canadian Farm Loan Board totalled \$21,023,000.

44. In the fiscal year 1946-47, Canada paid \$48,750,000 on its subscription to the capital of the International Bank for Reconstruction and Development. Of this amount \$41,665,000 was paid in the form of non-interest bearing notes. These notes are payable on demand and are carried on the Dominion's balance sheet under the heading of Floating Debt. A further call of \$16,250,000 has been made on the capital stock of the Bank payable in May, 1947. The remaining amount of Canada's subscription to the capital stock of the Bank, namely, \$260,000,000, can only be called to meet obligations of the Bank on securities of or guaranteed by the Bank.

45. Canada completed its subscription to the International Monetary Fund by payments totalling \$299,970,000 during the fiscal year 1946-47. Of this total, Canada paid \$74,973,000 in gold, \$30,997,000 in Canadian dollars and \$194,000,000 in non-interest bearing demand notes. These latter are carried on the Dominion's Balance sheet under the heading of Floating Debt.

46. Other investments increased during the fiscal year 1946-47 by \$8,940,000, reflecting mainly transfers from loans and advances to Crown Companies and Crown plants—privately managed.

47. The following table gives the details of the changes in loans, advances and investments during the fiscal year 1946-47 as now estimated, as well as the corresponding details for the four previous fiscal years.

ANNUAL CHANGES IN ACTIVE LOANS AND ADVANCES AND INVESTMENTS FOR THE LAST FIVE FISCAL YEARS

(thousands of dollars)

	Fiscal Years Ended March 31				
	1943	1944	1945	1946	Estimated 1947
<i>Loans and Advances</i>					
RAILWAY AND STEAMSHIP COMPANIES—					
Canadian National Railways.....	142,539	Cr.	3,907	83,608	43,614 Cr. 20,520
Canadian National Steamships—					
Canadian National (West Indies) Steamships, Ltd.....				Cr. 450	
Canadian Pacific Railway Company	Cr. 12,814				
Net Total, Railway and Steamship Companies.....	129,725	Cr.	3,907	83,608	43,164 Cr. 20,520
SUNDRY GOVERNMENT AGENCIES—					
Canadian Broadcasting Corporation	Cr. 503				2,000
National Harbours Board.....	Cr. 267	Cr.	127	8 Cr. 66	114
Soldier Settlement and Veterans Land Act.....	Cr. 1,692	Cr.	2,090	3,948	18,677 Cr. 54,268
Sundry Crown Companies.....	45,140		63,317	Cr. 16,774	Cr. 20,087 Cr. 11,104
Sundry Crown Plants, privately managed.....			57,007	Cr. 10,909	Cr. 4,997 Cr. 41,101
Other.....	4	Cr.	11	38	Cr. 40
Net Total, Sundry Government Agencies.....	42,682		118,096	Cr. 23,689	Cr. 6,513 4,177
Provincial and Municipal Governments..	Cr. 899	Cr.	437	15,599	Cr. 4,350 Cr. 2,532

ANNUAL CHANGES IN ACTIVE LOANS AND ADVANCES AND INVESTMENTS FOR THE LAST FIVE FISCAL YEARS—*Concluded*

(thousands of dollars)

	Fiscal Years Ended March 31				
	1943	1944	1945	1946	Estimated 1947
<i>Loans and Advances—conc.</i>					
UNITED KINGDOM AND OTHER GOVERNMENTS—					
United Kingdom, loan under The War Appropriation (U.K. Financing) Act, 1942.....	700,000	Cr. 42,392	Cr. 55,098	Cr. 63,946	Cr. 95,800
Union of Soviet Socialist Republics— Loan for purchase of wheat.....	917	9,083	.....	Cr. 2,500	Cr. 5,000
United Kingdom, Australia and New Zealand—Air Training accounts...	56,360	5,403	81,586	Cr. 249,504	Cr. 2
United Kingdom—British Commonwealth Air Training Plan—Settlement.....	.....	200,000	.....	Cr. 200,000	.....
United Kingdom, food advance accounts.....	6,755	13,244	10,613	Cr. 9,311	Cr. 21,302
Export Credits Insurance Act.....	.....	.....	.....	67,412	267,371
United Kingdom Financial Agreement Act, 1946.....	.....	.....	.....	.....	640,000
War Supplies, Ltd.....	83,042	Cr. 11,884	Cr. 71,158	.....	.....
Other (U.K. and Other Governments).....	661	16,766	Cr. 4,215	123,308	Cr. 137,578
Net Total, U.K. and Other Governments.....	847,735	190,220	Cr. 38,272	Cr. 334,541	647,689
 MISCELLANEOUS—					
Dominion and National Housing Acts.....	239	Cr. 532	Cr. 1,240	Cr. 14,721	.....
Sundry munitions contractors etc., (Department of Reconstruction and Supply).....	3,640	Cr. 3,964	7,975	Cr. 757	Cr. 2,139
Sundry Loans and Advances.....	Cr. 329	Cr. 61	Cr. 74	Cr. 74	Cr. 75
Net total, Miscellaneous.....	3,550	Cr. 4,557	6,661	Cr. 15,552	Cr. 2,214
Net Total, All Loans and Advances.	1,022,793	299,415	43,907	Cr. 317,792	626,600
 INVESTMENTS					
Central Mortgage and Housing Corporation Capital Stock.....	.....	.....	.....	25,000	.....
Canadian Farm Loan Board.....	Cr. 2,507	Cr. 5,005	Cr. 5,001	Cr. 2,401	Cr. 600
Central Mortgage Bank Capital Stock.....	.....	.....	.....	Cr. 250	.....
Canada's subscription to International Bank for Reconstruction and Development.....	.....	.....	.....	36	48,750
Canada's subscription to International Monetary Fund.....	.....	.....	.....	33	299,970
Export Credits Insurance Corporation Capital Stock.....	.....	.....	500	2,000	.....
Other Investments.....	.....	5,521	1,754	770	8,940
Net Total, Investments.....	Cr. 2,507	516	Cr. 2,747	25,188	357,060
Net Total of changes in Loans and Advances and Investments.....	1,020,286	299,931	41,160	Cr. 292,604	983,660

## LOAN FLOTATIONS

48. During the fiscal year ended March 31, 1947, the Dominion issued securities in the domestic market in an estimated amount of \$2,427,293,471. This amount does not include the recurring issues of Treasury Bills and Deposit Certificates issued to refund similar securities maturing during the year.

During the year \$2,717,872,364 of Dominion obligations matured or were called for redemption. Of this amount \$1,939,293,471 was renewed or converted into new issues, the remainder, namely, \$778,578,893 was provided as follows: \$488,000,000 from the proceeds of the sale of Canada Savings Bonds and \$290,578,893 from cash balances.

49. In addition to renewals of Deposit Certificates, one issue of bonds for refunding purposes was sold direct to the chartered banks. This issue, in the amount of \$162,050,000, consisted of four year  $1\frac{3}{4}\%$  Bonds dated November 1, 1946. It was sold to the banks at 100.75 to yield 1.56%.

50. The table which follows gives the details of the various issues sold during the year (excluding the renewal for another year of \$33,293,471 one year 4% School Lands Debentures, held by the Governments of the Prairie Provinces in respect of school lands). In the table the issues are classified on the basis of whether they were sold at time of issue to the Bank of Canada or to the chartered banks or to the general public.

## LOAN FLOTATIONS, 1946-47

	Issue Date	Maturity Date	Interest Rate	Price to Government	Yield at Price to Government	Total Amount Issued	Renewals or Conversions Included in Amount Issued	Amount Issued for cash
<i>Sold to Chartered Banks</i>								
Four year bonds.....	Nov. 1, 1946	Nov. 1, 1950..	1 $\frac{1}{4}$	100.75	1.56	162,050,000	162,050,000	.....
<i>Sold to Bank of Canada</i>								
Treasury Notes <sup>(1)</sup> .....	April 15, 1946	Sept. 1, 1946..	1 $\frac{1}{2}$	100.00	0.625	350,000,000	350,000,000	.....
Treasury Notes.....	Sept. 1, 1946	Mar. 1, 1947..	1 $\frac{1}{2}$	100.00	0.625	606,000,000	606,000,000	.....
Four Year Bonds.....	Nov. 1, 1946	Nov. 1, 1950..	1 $\frac{3}{4}$	100.75	1.56	237,950,000	237,950,000	.....
Treasury Notes.....	Mar. 1, 1947	Sept. 1, 1947..	1 $\frac{1}{2}$	100.00	0.625	550,000,000	550,000,000	.....
						1,743,950,000	1,743,950,000	.....
<i>Sold to General Public</i>								
Canada Savings Bonds (Net).....	Nov. 1, 1946	Nov. 1, 1956..	2 $\frac{3}{4}$	99.375 <sup>(2)</sup>	2.82 <sup>(2)</sup>	488,000,000 <sup>(2)</sup>	.....	488,000,000 <sup>(2)</sup>
Grand Total.....				.....	.....	2,394,000,000	1,906,000,000	488,000,000

<sup>(1)</sup> Issue dated March 1, 1946, sold to Bank of Canada on April 15, 1946 at par and accrued interest.

<sup>(2)</sup> Estimated figures.

51. During the fiscal year, sale of securities to the general public was confined to Canada Savings Bonds, a new type of security which was introduced in November, 1946. Net sales of Canada Savings Bonds to March 31, 1947, are estimated at \$488,000,000.

52. The following table gives the details of Dominion of Canada bond redemptions during the fiscal year ended March 31, 1947:

DOMINION OF CANADA BOND REDEMPTIONS, 1946-47

Maturity or Call Date	Interest Rate	Where Payable	Amount	
			%	\$
April 15, 1946.....	1	Canada.....		250,000,000
April 15, 1946.....	1 $\frac{3}{8}$	Canada.....		100,000,000
May 1, 1946.....	1 $\frac{1}{2}$	Canada.....		144,253,000
June 1, 1946 <sup>(1)</sup> .....	3 $\frac{1}{4}$	Canada.....		33,500,000
July 1, 1946.....	4	Canada.....		33,293,471
September 1, 1946.....	5 $\frac{1}{2}$	Canada.....		606,000,000
November 1, 1946.....	1 $\frac{3}{4}$	Canada.....		197,455,000
November 1, 1946 <sup>(2)</sup> .....	4 $\frac{1}{2}$	Canada.....		43,125,700
December 15, 1946.....	2	Canada.....		193,286,000
January 15, 1947 <sup>(3)</sup> .....	2 $\frac{1}{2}$	New York...		30,000,000
March 1, 1947.....	5 $\frac{1}{2}$	Canada.....		606,000,000
Various <sup>(4)</sup> .....		London.....		287,057
Deposit Certificates (Net).....		Canada.....		460,000,000
Non-interest Bearing Certificates (Net).....				
War Savings Certificates and Stamps (Net).....		Canada.....		20,672,136
Total.....				2,717,872,364
Less Amounts Renewed or Converted <sup>(6)</sup> .....				1,939,293,471
Provided from Cash Resources.....				778,578,893

(1) Maturity date June 1, 1949, called for redemption on June 1, 1946.

(2) Maturity date Nov. 1, 1956, called for redemption on November 1, 1946.

(3) Maturity date January 15, 1948, called for redemption on January 15, 1947.

(4) These issues were vested by Treasury of the United Kingdom in August, 1941, and January, 1942. The amounts (at par of exchange) purchased in the fiscal year 1946-47 were cancelled.

(5) Deposit Certificates maturing April 2, 9, 16 and 23 bore interest at the rate of  $\frac{3}{4}\%$ .

(6) Total from previous table \$1,906,000,000, and School Lands Debentures, viz. \$33,293,471.

53. The fortnightly issue of three months Treasury Bills was continued during the year. The amount outstanding, namely \$450,000,000, was unchanged throughout the fiscal year. The last issue in the fiscal year was sold at an average yield of .404%.

54. The average rate of interest on the Dominion's direct funded debt (including Treasury Bills and Deposit Certificates) outstanding at March 31, 1947, was 2.65%. This figure compares with 2.59% on the debt outstanding at the close of the previous year, the increase being accounted for by the issue of Canada Savings Bonds which were specially designed to promote thrift on the part of persons of small or moderate incomes and which accordingly bear interest at  $2\frac{3}{4}\%$  per annum.

## REQUIREMENTS FOR AND SOURCES OF CASH

55. In analysing the requirements for and sources of cash, it is necessary to follow the policy approved by Parliament when the Foreign Exchange Control Act was passed, namely, that the amount of the advances to the Foreign Exchange Control Board outstanding at the end of the preceding calendar year should not be disclosed until within thirty days after March 31. Therefore, in keeping with this policy it is not possible at this time to give the amount of the advances to the Board outstanding at the end of the Government's fiscal year. On the other hand, it is desirable to show as much detail as possible of the state of the loans, advances and other investments made by the Government, particularly those made to other Governments. Therefore for purposes of the balance sheet as at March 31, 1947, there has been included with the ordinary cash balances held by the Government, the total amount of advances to the Foreign Exchange Control Board which are equivalent in substance to cash balances either in Canada or abroad, and also holdings of securities in the Securities Investment Account which represent the Government's temporary investment of surplus cash in its own marketable securities which are available at any time, if required, to meet needs for cash. Detailed information on these items will, of course, be published later in the year in the Public Accounts.

In the table of requirements for Canadian cash shown below, therefore, the term "cash" is used in the broad sense indicated above. On this basis, apart from cash used for the redemption of securities, the total amount of cash required was approximately, \$3,291,800,000. The sources from which these cash requirements were met are shown in the lower part of the table below. It will be noted that it was possible to meet all requirements for cash during the year other than debt redemption, without new borrowing, and that, indeed, there was sufficient cash available to enable a reduction of about \$252,700,000 to be made in the total of outstanding funded debt payable in Canadian currency. This result was achieved, of course, by a reduction in the total of cash balances as defined above.

REQUIREMENTS FOR AND SOURCES OF CASH, FISCAL YEAR 1946-47 (ESTIMATED)  
(millions of dollars)

## REQUIREMENTS FOR CASH

## Expenditures—

Interest on the public debt.....	\$	461.0
Subsidies to provinces and payments to provinces under wartime tax agreements.....		102.8
Family Allowances.....		245.3
Other ordinary expenditure in cash.....		405.5
 Total ordinary cash expenditure.....	\$	1,214.6

## Demobilization and Reconversion—

## Department of National Defence—

Army.....	\$	221.2
Navy.....		58.9
Air.....		96.3
 Total Demobilization and Reconversion expenditure.....	\$	376.4

Department of Reconstruction and Supply.....	\$	139.2
Department of Veterans Affairs.....		512.6
Other Departments.....		294.3

Capital expenditure.....	\$	13.2
Special expenditure.....		31.8
Government owned enterprises.....		10.7

Total cash expenditures.....	\$	2,592.8
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REQUIREMENTS FOR AND SOURCES OF CASH, FISCAL YEAR 1946-47—Continued  
(millions of dollars)

REQUIREMENTS FOR CASH—Concluded

*Outlays that Increased Assets or Decreased Liabilities—*

Decreased holdings of U.S. dollars (expressed in Canadian dollars).....	-99.5
Decreased holdings of sterling balances.....	-19.4
Reduction in New York indebtedness (expressed in Canadian dollars).....	38.0
Reduction in sterling indebtedness.....	0.4
Cost of loan flotations, portion to be amortized.....	0.3
Working Capital Advances.....	0.7

*Loans and Advances—*

To Canadian National Railways.....	-20.5
To United Kingdom, The War Appropriation (U.K. Financing) Act, 1942.....	-95.8
To United Kingdom—Financial Agreement Act, 1946.....	640.0
Export Credits.....	267.4
Other (U.K. and Other Governments).....	-163.9
To Sundry Government Agencies—	
Canadian Broadcasting Corporation.....	2.0
Crown Companies and Crown Plants.....	-21.7
National Harbours Board.....	0.1
Soldier Settlement and Veterans' Land Act.....	54.3
To Provincial and Municipal Governments.....	-2.5
Miscellaneous.....	-2.3
 Total Loans and Advances.....	 657.1

*Investments—*

Canada's subscription to International Bank for Reconstruction and Development (Cash portion).....	7.0
Canada's subscription to International Monetary Fund (Cash portion).....	106.0
Other Investments.....	8.4
 Total Investments.....	 121.4
 Total outlays that increased assets or decreased liabilities'.....	 699.0
 Grand total requirements for cash.....	 \$ 3,291.8

SOURCES OF CASH

*Revenues—*

Personal income tax.....	\$ 695.0
Corporate income tax.....	239.0
Excess profits tax.....	448.7
Other direct taxes.....	53.7
Customs duties, excise duties and excise taxes.....	1,012.4
Other indirect taxes.....	9.7
 Total tax revenue.....	 2,458.5
Post office revenue.....	75.0
Return on investments.....	68.8
Other ordinary revenue.....	17.1
 Gross ordinary revenue.....	 2,619.4
Less estimated refundable portion of excess profits tax.....	-7.2
 Capital and other non-active refunds.....	 2,612.2
Special receipts.....	1.2
 Total cash revenues.....	 369.5
 2,982.9	

*Miscellaneous Receipts and Credits—*

Deposit and trust accounts.....	-34.3
Insurance, pension and guaranty accounts.....	54.1
Deferred credits.....	-16.3
Sundry suspense accounts.....	-48.0
 Total miscellaneous receipts and credits.....	 -44.5
 Total revenues and miscellaneous receipts in cash.....	 2,938.4

REQUIREMENTS FOR AND SOURCES OF CASH, FISCAL YEAR 1946-47—*Concluded*  
(millions of dollars)

SOURCES OF CASH—*Concluded*

*Borrowing in Canada—*

New issues—general public.....	\$ 490.8
Add estimated refundable portion of excess profits tax—net.....	4.8
	<hr/>
Less maturities paid in cash.....	495.6
	—748.3
	<hr/>
Net decrease in funded debt payable in Canada.....	—252.7
Net decrease in floating debt payable in Canada.....	—14.9
	<hr/>
Add decrease in total of cash balances in domestic currency, Securities Investment Account and advances to Foreign Exchange Control Board..	—267.6
	621.0
	<hr/>
Grand total sources of cash.....	\$ 3,291.8
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NATIONAL DEBT

56. It is estimated that the gross unmatured funded debt (including Deposit Certificates, Treasury Bills and the estimated refundable portion of personal income tax and excess profits tax) of the Government of Canada outstanding at the close of the fiscal year 1946-47 will amount to \$16,524,164,000. Other liabilities consisting chiefly of Deposit and Trust Accounts, Insurance, Pension and Guaranty Accounts are estimated at \$1,135,463,000. The gross liabilities of the Dominion on March 31, 1947, therefore, are estimated at \$17,659,627,000. On the other side of the balance sheet there are active assets estimated at a total of \$4,745,766,000, consisting of cash, loans, advances and investments, less a reserve of \$155,400,000 for possible losses on their ultimate realization. If the amount of net active assets is deducted from the amount of gross liabilities, there results a figure of \$13,069,261,000 representing the estimated net debt of the Dominion as at March 31, 1947.

57. The decrease in the net debt for the year is estimated at \$352,144,000. This of course is the amount already reported as the over-all estimated surplus for the fiscal year 1946-47.

## BALANCE SHEET

The following is a condensed estimated balance sheet of the Dominion, together with details of non-active assets:

## BALANCE SHEET—MARCH 31, 1947

(estimated)

(thousands of dollars)

*Liabilities—*

## Floating Debt—

Matured Funded Debt Outstanding.....	\$ 12,000
Stock and other obligations payable on demand.....	235,734
Interest due and outstanding.....	72,250
Outstanding cheques and warrants.....	69,759
Post Office Account.....	5,600
	<hr/>
	\$ 395,343

## Deposit and Trust Accounts—

Post Office Savings Bank.....	35,600
Indian Trust Funds.....	17,500
Miscellaneous.....	111,000
	<hr/>
	164,100

## Insurance, Pension and Guaranty Accounts—

Government Annuities.....	344,300
Insurance Fund-Civil Service.....	20,100
Insurance Fund—Returned Soldiers.....	23,900
Unemployment Insurance Fund—Cash.....	9,000
Employees Compensation Clearing Account—Defence Projects.....	9,000
Other Insurance and Guaranty Accounts.....	2,800
Civil Service Superannuation Account.....	88,000
Civil Service Retirement Fund.....	12,100
Other Pension Funds.....	2,900
	<hr/>
	512,100
Deferred Credits.....	9,000

Sundry Suspense Accounts.....	18,500
Province Debt Accounts.....	11,920
Reserve for contingent liabilities.....	24,500
	<hr/>

## Funded Debt Unmatured—

Payable in Canada—	
Bonds, Deposit Certificates and Treasury Bills.....	15,844,080
Refundable portion of personal income tax and excess profits tax (estimated).....	520,527
Payable in New York.....	148,000
Payable in London.....	11,557
	<hr/>
	16,524,164
	<hr/>
	17,659,627

*Assets—*

Cash including investment in the Foreign Exchange Control Board and holdings in the Securities Investment Account.....	\$ 1,618,696
Departmental Working Capital Advances.....	10,000

## Loans and Advances—

To Canadian National Railways.....	\$ 679,008
To United Kingdom and Other Governments—	
United Kingdom, The War Appropriation (U.K. Financing) Act, 1942.....	\$ 442,764
United Kingdom Financial Agreement Act, 1946.....	640,000
Export Credits Insurance Act.....	334,783
Other (U.K. and Other Governments).....	47,453
	<hr/>
	1,465,000
To Sundry Government Agencies—	
Canadian Broadcasting Corporation.....	2,000
Crown Companies.....	85,755
National Harbours Board.....	85,079
Soldier Settlement and Veterans' Land Act.....	107,000
	<hr/>
	279,834
To Provincial and Municipal Governments.....	171,372
Miscellaneous.....	17,300
	<hr/>
	2,612,514

BALANCE SHEET—MARCH 31, 1947—*concluded*  
 (estimated)  
 (thousands of dollars)

*Assets—Concluded*

Investments—

Bank of Canada Capital Stock.....	\$ 5,920
Central Mortgage and Housing Corporation Capital Stock.....	25,000
Canadian Farm Loan Board—	
Advances and Capital Stock.....	21,023
Canada's subscription to International Bank for Reconstruction and Development.....	48,786
Canada's subscription to International Monetary Fund.....	300,003
Miscellaneous.....	19,500
	420,232
Province Debt Accounts.....	2,296
Deferred Charges-Unamortized Discounts and Commissions on Loans.....	82,000
Sundry Suspense Accounts.....	28
	4,745,766
Less—Reserve for possible losses on ultimate realization of Active Assets.....	155,400
	4,590,366
Net Debt, March 31, 1947 (estimated).....	13,069,261
	17,659,627

NET DEBT—MARCH 31, 1947 (estimated)

(thousands of dollars)

Net Debt represented by—

(A) Expenditures for Capital Purposes and Non-active Assets—

Public Works—

Canals.....	\$ 240,125
Railways.....	432,405
Miscellaneous.....	326,964
Military Property and Stores.....	12,616
Territorial Accounts.....	9,896
Canadian Pacific Railway (old).....	62,791
Canadian National Railways Securities Trust Stock.....	380,404
Canadian National Railways Stock.....	18,000
Loans and Advances Non-active—	
Canadian National Steamships.....	12,053
National Harbours Board—	
Chicoutimi.....	\$ 3,838
Churchill.....	14
Halifax.....	12,510
Montreal (Jacques Cartier Bridge).....	6,822
Quebec.....	27,756
Saint John.....	17,323
Three Rivers.....	3,983
	72,246
Soldier and General Land Settlement.....	16,526
Seed Grain and Relief Advances.....	134
Saskatchewan Seed Grain Loans Guarantee Act, 1936.....	2,637
Seed Grain Loans Guarantee Act, 1937.....	7,136
Miscellaneous Non-Active Accounts.....	2,457
	1,596,390

(B) Consolidated Deficit Account—

Balance, Consolidated Deficit Account brought forward from March 31, 1946.....

\$ 11,836,341

Excess of revenue over expenditure, excluding amounts charged under (A) above, fiscal year ended March 31, 1947 (estimated).....

363,470

11,472,871

13,069,261

58. The following table gives the details of the various obligations included in the unmatured funded debt of the Dominion outstanding as at March 31, 1947, and the annual interest charges thereon:

UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1947,  
AND ANNUAL INTEREST THEREON

Date of Maturity	Rate Per Cent	Where Payable	Amount of Loan		Annual Interest Charge		
			\$	c.	\$	c.	
1947, May 1.....	1 $\frac{3}{4}$	Canada	373,259,000	00	6,532,032	50	
July 1.....	4	Canada	33,293,470	85	1,331,738	83	
Sept. 1.....	5 $\frac{5}{8}$	Canada	550,000,000	00	3,437,500	00	
Oct. 1.....	2 $\frac{1}{2}$	London	*	88,484	94	2,212	12
1948, Feb. 1.....	3 $\frac{1}{4}$	Canada	50,000,000	00	1,625,000	00	
Mar. 1.....	2 $\frac{1}{4}$	Canada	269,879,000	00	6,072,277	50	
Mar. 1.....	1 $\frac{3}{4}$	Canada	239,713,000	00	4,194,977	50	
Nov. 1.....	1 $\frac{3}{4}$	Canada	344,267,000	00	6,024,672	50	
1949, Feb. 1.....	3 $\frac{1}{4}$	Canada	50,000,000	00	1,625,000	00	
Nov. 1.....	1 $\frac{3}{4}$	Canada	267,800,000	00	4,686,500	00	
1950, Feb. 1.....	3 $\frac{1}{4}$	Canada	50,000,000	00	1,625,000	00	
Nov. 1.....	1 $\frac{3}{4}$	Canada	335,690,000	00	5,874,575	00	
Nov. 1.....	1 $\frac{3}{4}$	Canada	400,000,000	00	7,000,000	00	
1951, Feb. 1.....	3 $\frac{1}{4}$	Canada	( <sup>1</sup> ) 50,250,000	00	1,625,000	00	
June 15.....	3	Canada	( <sup>2</sup> ) 649,969,592	50	19,306,027	50	
Nov. 15.....	3 $\frac{1}{4}$	Canada	60,000,000	00	1,950,000	00	
1952, Feb. 1.....	3 $\frac{1}{4}$	Canada	( <sup>3</sup> ) 50,500,000	00	1,625,000	00	
Oct. 1.....	3	Canada	324,945,700	00	9,748,371	00	
Oct. 15.....	4	Canada	56,191,000	00	2,247,640	00	
1954, Mar. 1.....	3	Canada	( <sup>4</sup> ) 676,355,489	00	20,089,767	00	
1955, May 1.....	3 $\frac{1}{4}$	London	*	4,762,549	99	154,782	87
June 1.....	3	Canada	40,000,000	00	1,200,000	00	
June 1.....	3	Canada	55,000,000	00	1,650,000	00	
1956, Nov. 1.....	3	Canada	( <sup>5</sup> ) 855,607,410	50	25,414,081	50	
Nov. 1.....	2 $\frac{3}{4}$	Canada	*	488,000,000	00	13,420,000	00
1957, May 1.....	3	Canada	1,111,261,650	00	33,337,849	50	
Nov. 1.....	4 $\frac{1}{2}$	Canada	37,523,200	00	1,688,544	00	
1958, June 1.....	3	Canada	88,200,000	00	2,646,000	00	
Sept. 1.....	4	London	*	3,206,685	05	128,267	40
Nov. 1.....	4 $\frac{1}{2}$	Canada	276,687,600	00	12,450,942	00	
1959, Jan. 1.....	3	Canada	1,197,324,750	00	35,919,742	50	
Nov. 1.....	4 $\frac{1}{2}$	Canada	289,693,300	00	13,036,198	50	
1960, June 1.....	3	Canada	1,165,300,350	00	34,959,010	50	
Oct. 1.....	4	New York	100,000,000	00	4,000,000	00	
1961, Jan. 15.....	3 $\frac{1}{4}$	New York	48,000,000	00	1,560,000	00	
1962, Feb. 1.....	3	Canada	1,315,639,200	00	39,469,176	00	
1963, July 1.....	3 $\frac{1}{4}$	London	*	3,499,053	20	113,719	23
Oct. 1.....	3	Canada	1,295,819,350	00	38,874,580	50	
1966, June 1.....	3 $\frac{1}{4}$	Canada	54,703,000	00	1,777,847	50	
Sept. 1.....	3	Canada	1,691,796,700	00	50,753,901	00	
Perpetual.....	3	Canada	55,000,000	00	1,650,000	00	
1947, April 11 Treasury Bills.....	.399	Canada	75,000,000	00	299,250	00	
April 25 Treasury Bills.....	.398	Canada	75,000,000	00	298,500	00	
May 9 Treasury Bills.....	.399	Canada	75,000,000	00	299,250	00	
May 30 Treasury Bills.....	.399	Canada	75,000,000	00	299,250	00	
June 13 Treasury Bills.....	.399	Canada	75,000,000	00	299,250	00	
June 27 Treasury Bills.....	.404	Canada	75,000,000	00	303,000	00	
April 1 Deposit Certificates.....	.625	Canada	40,000,000	00	250,000	00	
April 8 Deposit Certificates.....	.625	Canada	40,000,000	00	250,000	00	
April 15 Deposit Certificates.....	.625	Canada	40,000,000	00	250,000	00	
April 22 Deposit Certificates.....	.625	Canada	40,000,000	00	250,000	00	
April 29 Deposit Certificates.....	.625	Canada	40,000,000	00	250,000	00	
May 6 Deposit Certificates.....	.625	Canada	40,000,000	00	250,000	00	
May 13 Deposit Certificates.....	.625	Canada	40,000,000	00	250,000	00	
June 15 Non-interest Bearing Certificates.....		Canada	*	295,000	00		

\*Estimated.

(<sup>1</sup>) Redeemable at 100 $\frac{1}{2}$  per cent. Amount outstanding includes \$ 250,000.00 redemption bonus.

(<sup>2</sup>) Redeemable at 101 per cent. Amount outstanding includes \$6,435,342.50 redemption bonus.

(<sup>3</sup>) Redeemable at 101 per cent. Amount outstanding includes \$ 500,000.00 redemption bonus.

(<sup>4</sup>) Redeemable at 101 per cent. Amount outstanding includes \$6,696,589.00 redemption bonus.

(<sup>5</sup>) Redeemable at 101 per cent. Amount outstanding includes \$8,471,360.50 redemption bonus.

UNMATURED FUNDED DEBT AND TREASURY BILLS AS AT MARCH 31, 1947,  
AND ANNUAL INTEREST THEREON—*Concluded*

Date of Maturity	Rate Per Cent	Where Payable	Amount of Loan	Annual Interest Charge
			\$      c.	\$      c.
1950, June 15 Non-Interest Bearing Certificates.....	.....	Canada	* 316,000 00	.....
War Savings Certificates.....	3	Canada	*263,800,000 00	7,914,000 00
			16,003,637,536,03	432,290,434 45
Refundable portion of personal income tax and excess profits tax (estimated).....	2 (e)	.....	520,527,000 00	5,226,620 00
			16,524,164,536 03	437,517,054 45
Payable in Canada.....	.....	.....	16,364,607,762 85	99.03%
Payable in New York.....	.....	.....	148,000,000 00	0.90%
Payable in London.....	.....	.....	11,556,773 18	0.07%
			16,524,164,536 03	100.00%

\* Estimated.

(e) Interest on refundable portion of personal income tax only.

## INDIRECT LIABILITIES

59. Bonds and debenture stocks bearing the guarantee of the Dominion and outstanding in the hands of the public, totalled \$566,954,000 at March 31, 1947, an increase of \$25,972,000 over the amount outstanding at the close of the previous fiscal year. This increase is occasioned mainly by the issue and sale to the public of \$50,000,000 Canadian National Railway Company  $2\frac{3}{4}\%$  Bonds dated January 2, 1947 and maturing January 2, 1967 and the redemption of \$23,752,000 Canadian Northern Railway Company  $6\frac{1}{2}\%$  Bonds on July 1, 1946. The new issue was sold to a syndicate of Canadian banks and bond dealers at a price of 99.68% to the Company. Of the proceeds of the issue the sum of \$41,932,257 was used to pay off loans from the Government and the remainder for capital purposes of the Railway.

60. Pursuant to the terms of an Order in Council dated April 16, 1946, the Commodity Prices Stabilization Corporation was authorized to guarantee certain advances and interest thereon obtained by any person from a bank in order to purchase coal, coke or briquettes in the summer of 1946. The liability of the Corporation is limited to ten per cent of the aggregate advances made by each bank, but the maximum amount of guarantee is \$500,000. The estimated contingent liability of the Corporation at March 31, 1947 was \$26,000.

61. Under the provisions of The Farm Improvement Loans Act, 1944, the Government guarantees loans made by chartered banks to farmers for authorized purposes. The amount of the guarantee is limited to 10 per cent of the aggregate principal amount of the guaranteed farm loans made by each bank. At February 28, 1947, 18,945 loans had been made by the chartered banks in the amount of \$14,496,864 and the contingent liability of the Government at that date was \$1,449,686.

62. Under the provisions of The Veterans' Business and Professional Loans Act proclaimed on January 15, 1947, the Government guarantees loans made by the chartered banks to veterans domiciled in Canada for authorized purposes. These purposes include the purchase of a business, the purchase or repair of machinery, tools, instruments or other business equipment and the construction, repair or alteration of or the making of additions to any building or structure

used in the veteran's business. The amount of such loans is limited to \$25,000,000. The amount of the Government's guarantee is limited to 25 per cent of the loans made by a bank, if the total loans by that bank do not exceed \$1,000,000. The guarantee is reduced to 15 per cent on the amount of loans made by each bank over \$1,000,000. Records of loans made at March 31, 1947, are not yet available.

63. Under the terms of The Home Improvement Loans Guarantee Act, 1937, 125,720 loans had been made by banks and other approved loaning institutions to home owners under the terms of this Act and the total amount of such loans was \$49,959,055. The Dominion's contingent liability arising out of these loans is limited to 15 per cent of the aggregate of such loans made by approved lending institutions, but as the balance of these loans on December 31, 1946, was \$59,335, the contingent liability of the Government is limited to this amount. Up to December 31, 1946, 1,277 loss claims for an aggregate amount of \$463,996 had been paid. The ratio of total losses to total volume of loans, therefore, is only 0.93 of one per cent.

64. Under the provisions of the Appropriation Act No. 5, 1942, the Home Extension Plan was started. It provided for loans, not exceeding in the aggregate \$2,000,000, by banks under regulations similar to those of the Home Improvement Loans Guarantee Act, for the purpose of financing the creation of additional self-contained housing units by alterations or additions to a building used solely or partially as a dwelling at the time of application for the loan. To March 31, 1946, fifty-nine loans for a total amount of \$109,238 had been made. The Dominion's contingent liability arising out of these loans amounted to 15 per cent of the aggregate of such loans made by the banks or \$16,386. There have been no claims for loss made by the banks. Since March 31, 1946, no new loans have been made under this authority but under the authority of Part IV of the National Housing Act, 1944.

65. Part IV of the National Housing Act, 1944, authorizes loans to be made by chartered banks to home owners for improvement of their homes and for conversion of existing homes into multiple housing units, which loans may be guaranteed by the Government up to a maximum of \$100,000,000. The contingent liability of the Government with respect to these loans is limited to 5 per cent of the aggregate of such loans made by each lending institution.

The home improvement loan section of the Act has not yet been proclaimed and therefore no loans have been granted thereunder. By Order in Council dated April 13, 1946, the home extension section of the Act was proclaimed. At March 31, 1947, twenty-eight loans had been approved in a total amount of \$86,065 to provide for fifty-eight housing units. There have been no claims for losses. The contingent liability of the Government at March 31, 1947, was \$4,303.

66. Under the provisions of Part II, Section 11 (3A) of the National Housing Act, 1944, the Central Mortgage and Housing Corporation may guarantee the principal of debentures of an institutional holding company and interest thereon at a rate of not more than two and one-half per cent per annum. At March 31, 1947, debentures had been issued by Housing Enterprises of Canada Limited bearing the guarantee of the Central Mortgage and Housing Corporation in the amount of \$3,735,000.

67. Under the Dominion Housing Act, 1935, the National Housing Act, 1938, and the National Housing Act, 1944, the Dominion has accepted and is accepting certain obligations arising out of its contracts with approved lending institutions which, while not expressed in the form of a guarantee, may nevertheless be regarded as contingent or indirect liabilities. On January 1, 1946,

the Central Mortgage and Housing Corporation Act, 1945, was proclaimed and since that date the Corporation has been acting as the agent of His Majesty in connection with loans under these Acts.

The manner in which losses in respect of any loan are to be shared by the Dominion and the lending institution is fixed by the contract. The original principle under the Dominion Housing Act and the National Housing Act, 1938, was that the Dominion bears two-thirds of the loss, if at the time the loss is sustained the principal amount of the loan repaid, less any other amount due, is equal to or less than the amount advanced by the Dominion and one-third of the loss if at the time the loss is sustained the principal amount repaid, less any other amounts due, is more than the amount advanced by the Dominion. In the case of small loans (that is, loans not in excess of \$4,000 in the case of single family dwellings or not in excess of \$700 per habitable room in the case of multiple family dwellings), the share of the loss to be borne by the Dominion is not more than 80 per cent and not less than 50 per cent of the loss. Under the National Housing Act, 1938, a new provision was added to encourage the making of small loans in small or remote communities and in districts or other communities designated by the Minister of Finance in any contract. In respect of such loans, the Dominion has agreed in contracts with certain lending institutions to pay losses sustained by any such lending institution up to certain amounts determined by the contract which are not less than 7 per cent and do not exceed 25 per cent of the total amount of such loans made by each such lending institution. Under the National Housing Act, 1944, the Dominion bears the first one-quarter of the loss and agrees to pay losses sustained by any lending institution up to an amount set out in the contract. This amount, by statute, cannot exceed 15% of the aggregate of the lending institution's share of the joint loans made by the lending institution and His Majesty under the contract.

Loans to the number of 33,765 covering 43,460 dwelling units have been approved as at February 28, 1947, under the Dominion Housing Act, 1935, the National Housing Act, 1938, and the National Housing Act, 1944, the total amount of such loans being \$165,225,310. Losses recorded and paid to March 31, 1947 amounted to \$2,645 covering the Dominion's proportion of the loss on seven loans. This amount represents total losses to that date under both the Dominion Housing Act, 1935, and Part I of the National Housing Act, 1938. These losses are offset in part by a profit of \$498 realized by the sale of eleven properties. The net loss to March 31, 1947, is therefore only \$2,147. There have been no losses under the National Housing Act, 1944.

68. Under authority of P.C. 4690 dated November 12th, 1946, the Minister of Finance was authorized on behalf of the Government of Canada to guarantee under the provisions of the Export Credits Insurance Act the guarantee of the Republic of China of the payment by Ming Sung Industrial Company Ltd. of the cost of Canadian-produced goods and Canadian services to a maximum amount of \$12,750,000 to be advanced by Imperial Bank of Canada, The Bank of Toronto and The Dominion Bank, subject to an agreement dated October 30th, 1946, between the Company and the said Banks, and to guarantee the securities given by the Ming Sung Industrial Company Ltd. for repayment of amounts drawn against credits established by the Banks in accordance with the agreement.

This guarantee was made at the request of the Government of China, which itself has guaranteed the payments to be made by the Company and the securities to be given by the Company and has undertaken to indemnify the Government of Canada against loss in connection with the guarantee so requested.

As of March 31st, 1947, the Banks, under the agreement with the Ming Sung Industrial Co. Ltd. dated October 30th, 1946, had issued letters of credit in the amount of \$8,917,320 and opened a special account in favour of the Ming

Sung Industrial Company Ltd. in the amount of \$820,000. No payments had been made on drafts against the letters of credit. Advances against the special account amounted to \$796,056.30. Outstanding commitments under this guarantee as of March 31, 1947, therefore amounted to \$796,056.30.

69. The following is a statement of bonds, debenture stocks and other indebtedness guaranteed by the Dominion estimated to be outstanding as at March 31, 1947.

BONDS AND DEBENTURE STOCKS GUARANTEED BY THE DOMINION  
GOVERNMENT AS AT MARCH 31, 1947

Date of Maturity	Issue	Interest Rate	Estimated Amount Outstanding
		%	\$
April 1, 1948....	New Westminster Harbour Commissioners.....	4 $\frac{3}{4}$	700,000
Sept. 1, 1951....	Canadian National.....	4 $\frac{1}{2}$	48,022,000
Feb. 1, 1952....	Canadian National.....	3	20,000,000
Aug. 1, 1952....	Saint John Harbour Commissioners.....	5	667,953
Feb. 15, 1953....	Canadian National.....	3	25,000,000
July 10, 1953....	Canadian Northern.....	3	1,162,768
Feb. 1, 1954....	Canadian National.....	5	50,000,000
Mar. 1, 1955....	Canadian National (West Indies) Steamships Limited.....	5	9,400,000
June 15, 1955....	Canadian National.....	4 $\frac{1}{2}$	48,496,000
Feb. 1, 1956....	Canadian National.....	4 $\frac{1}{2}$	67,368,000
July 1, 1957....	Canadian National.....	4 $\frac{1}{2}$	64,136,000
July 20, 1958....	Canadian Northern.....	3 $\frac{1}{2}$	5,636,508
Jan. 15, 1959....	Canadian National.....	3	35,000,000
May 4, 1960....	Canadian Northern Alberta.....	3 $\frac{1}{2}$	550,727
May 19, 1961....	Canadian Northern Ontario.....	3 $\frac{1}{2}$	3,603,183
Jan. 1, 1962....	Grand Trunk Pacific.....	3	26,465,130
Jan. 1, 1962....	Grand Trunk Pacific.....	4	7,999,074
Jan. 2, 1967....	Canadian National.....	2 $\frac{1}{4}$	50,000,000
Oct. 1, 1969....	Canadian National.....	5	57,728,500
Nov. 1, 1969....	Harbour Commissioners of Montreal.....	5	19,000,000
Feb. 1, 1970....	Canadian National.....	5	17,338,000
Various dates 1948-54.....	City of Saint John Debentures assumed by Saint John Harbour Commissioners.....	Various	371,229
Perpetual.....	Grand Trunk Debenture Stock.....	5	1,473,495
".....	Great Western Debenture Stock.....	5	848,406
".....	Grand Trunk Debenture Stock.....	4	5,960,095
".....	Northern Railway of Canada Debenture Stock..	4	27,458
			566,954,526

## OTHER GUARANTEES OR CONTINGENT LIABILITIES

	Estimated Principal Amount Outstanding March 31, 1947
Bank Advances, re Province of Manitoba Savings Office.....	\$ 4,653,078
Province of Manitoba Treasury Bill.....	3,500,000
Loans made by approved lending institutions under Dominion and National Housing Acts.....	Indeterminate
Loans made by approved lending institutions under The Home Improvement Loans Guarantee Act, 1937.....	59,335
Loans made by approved lending institutions under the Home Extension Plan.....	16,386
Loans made by approved lending institutions under Part IV of the National Housing Act, 1944, for home extensions.....	4,303
Debentures of Housing Enterprises of Canada Limited guaranteed by Central Mortgage and Housing Corporation.....	3,735,000
Deposits maintained by the chartered banks in the Bank of Canada.....	536,264,805
Bank Advances, re Government War Contracts— Department of Reconstruction and Supply.....	2,500
Bank Advances, re coal, coke or briquette purchases— Commodity Prices Stabilization Corporation.....	26,000
Guarantee under Dominion-Provincial Taxation Agreements of Provincial receipts from gasoline taxes at amounts received in fiscal years ending nearest December 31, 1940.....	Indeterminate
Guarantees under Part II, Export Credits Insurance Act.....	796,056
Loans made by chartered banks under The Farm Im- provement Loans Act, 1944.....	1,449,686
Loans made by chartered banks under The Veterans' Business and Professional Loans Act.....	Not yet determined

## B. TABLES OF ECONOMIC STATISTICS

The following Tables of economic statistics, which were originally published elsewhere, are included in this Appendix to the Budget for convenience of reference in connection with consideration of the Budget accounts and proposals. Apart from monetary statistics which were taken from Bank of Canada publications, the statistics were all supplied by the Dominion Bureau of Statistics unless otherwise noted. In certain cases index numbers have been adjusted to a uniform base period.

Tables I, II, and III on National Income and related figures are based upon the publication of the Dominion Bureau of Statistics entitled "National Accounts, Income and Expenditure, 1938-1946." The nature and sources of these statistics are described in the booklet published in April, 1946 and entitled "National Accounts, Income and Expenditure 1938-1945". The figures given below have been rounded off to the nearest hundred million, and minor adjustments in the original figures have been made to eliminate residual items representing errors and omissions.

TABLE I  
ESTIMATED NATIONAL INCOME AND GROSS NATIONAL PRODUCT  
(billions of dollars)

	1938	1939	1944	1945	1946 (Preliminary)
Salaries and Wages.....	2.5	2.5	5.1	5.0	5.1
Military Pay and Allowances.....			1.1	1.1	0.3
Corporate Profits and other Investment Income (Before Corporate Taxes).....	0.7	0.8	1.8	2.0	1.8
Net Income from Farms and Other Individual Enterprises.....	0.8	0.9	1.9	1.7	2.0
Net National Income at Factor Cost.....	4.0	4.2	9.9	9.8	9.2
Indirect Taxes less subsidies.....	0.6	0.8	1.1	1.0	1.2
Depreciation and similar charges.....	0.5	0.5	0.8	0.7	0.7
Gross National Product at Market Prices.....	5.1	5.5	11.8	11.5	11.1

TABLE II  
ESTIMATED NATIONAL EXPENDITURE  
(billions of dollars)

	1938	1939	1944	1945	1946 (Preliminary)
<i>Government Expenditure on Goods and Services—</i>					
(a) War and Similar Appropriations.....	0.1	0.1	4.2	2.8	0.9
(b) Other, including Provincial and Municipal.....	0.7	0.7	0.8	0.8	1.0
<i>Gross Private Investment in Canada—</i>					
(a) On Construction and Equipment.....	0.5	0.5	0.6	0.8	1.1
(b) On Additions to Inventories.....		0.3		-0.4	0.3
Personal Expenditures on Consumers' Goods and Services.....	3.7	3.8	6.2	6.8	7.4
Payments from other Countries for Canadian Goods and Services.....	1.4	1.5	3.5	3.6	3.2
Sub-Total.....	6.4	6.9	15.3	14.4	13.9
<i>Deduct: Payments to other Countries for Goods and Services Included Above.....</i>	1.3	1.4	3.5	2.9	2.8
Total Gross National Expenditures at Market Prices..	5.1	5.5	11.8	11.5	11.1

TABLE III  
ESTIMATED TOTAL PERSONAL INCOMES  
(billions of dollars)

—	1938	1939	1944	1945	1946 (Preliminary)
Net National Income at Factor Cost.....	4.0	4.2	9.9	9.8	9.2
Add: Transfer Payments*.....	0.3	0.3	0.4	0.8	1.5
Total.....	4.3	4.5	10.3	10.6	10.7
Deduct. Contributions to Social Security and Pension Funds.....			0.2	0.2	0.2
Investment Income not paid out to Individuals.....	0.3	0.3	1.3	1.5	1.3
Total Deductions.....	0.3	0.3	1.5	1.7	1.5
Estimated Total Personal Incomes.....	4.0	4.2	8.8	8.9	9.2

\*This item includes pensions, relief payments, gratuities, family allowances and similar payments, and most interest on the public debt.

TABLE IV  
ESTIMATED CANADIAN LABOUR FORCE AND EMPLOYMENT, 1941-47

NOTE: The figures for the years 1941-45 show the estimated wartime distribution of manpower in the categories used in the Quarterly Labour Force Surveys of the Dominion Bureau of Statistics, from which the estimates for 1946-47 were obtained. For the purpose of these surveys, employed persons are those who either worked or had jobs in a specific week while the unemployed are those who were looking for work but were not working. About 170,000 persons living in remote areas and Indian Reservations are not included at all in these surveys.

(thousands of persons)

—	June 2, 1941	June 1, 1944	June 1, 1945	June 1, 1946	November 9, 1946	March 1, 1947
Total population 14 years and over....	8,517	8,885	8,978	8,927	8,998	9,065
Total labour force including armed forces.....	4,908	5,304	5,367	4,953	4,896	4,751
Armed forces.....	296	779	736	125	48	45
Total civilian labour force.....	4,612	4,525	4,631	4,828	4,848	4,706
Employed.....	4,242	4,443	4,525	4,702	4,733	4,565
nonagricultural.....	2,977	3,257	3,272	3,428	3,662	3,635
agricultural.....	1,265	1,186	1,253	1,274	1,071	930
Unemployed.....	370	82	106	126	115	141
Housewives, students, retired persons, persons in institutions, and non-workers.....	3,609	3,581	3,611	3,974	4,102	4,314

TABLE V  
CANADIAN COST OF LIVING AND WHOLESALE PRICE INDEXES  
MONTHLY FIGURES  
1935-39 = 100

	1946						1947					
	April	May	June	July	August	Sept.	Oct.	Nov.	Dec.	Jan.	Feb.	
<i>Cost of Living—</i>												
All Items.....	121	122	124	125	126	126	127	127	127	127	128	
Food.....	135	138	142	144	145	143	147	147	146	146	147	
Fuel and Light.....	107	107	107	107	107	107	107	109	109	109	109	
Clothing.....	123	124	124	126	128	130	130	131	131	132	132	
Rent.....	112	113	113	113	113	113	113	113	113	113	113	
Home Furnishings.....	121	122	122	125	127	128	129	129	129	130	130	
Miscellaneous.....	111	112	112	114	114	114	114	114	114	115	116	
<i>Wholesale Prices—</i>												
All Commodities.....	140	141	142	142	142	142	144	144	145	145	148	
Farm Products.....	155	156	157	159	155	154	158	158	159	159	159	
Raw Materials.....	150	150	152	153	150	150	156	157	157	157	165	
Foods.....	142	142	144	146	144	143	147	147	146	148	148	
Manufactures.....	129	129	129	130	131	131	133	133	134	136	140	

TABLE VI

## COMPARISON OF COST OF LIVING AND WHOLESALE PRICE INDEXES: CANADA, U.S.A., U.K., AND AUSTRALIA (A)

1935-39 = 100

	1938	1939	1940	1941	1942	1943	1944	1945	1946	June 1946	Dec. 1946	Jan. 1947	Feb. 1947
<b>Cost of Living—</b>													
<i>All Items:</i>													
Canada.....	102	106	112	117	118	119	120	124	124	127	127	128	128
U.S.A.....	99	100	105	117	124	126	128	139	133	153	153	153	153
United Kingdom.....	104	122	131	132	131	133	134	134	134	135	135	135	134
Australia.....	103	106	108	114	121	130	130	131	131	133	133	133	133
<i>Food:</i>													
Canada.....	104	101	106	116	127	131	131	141	142	146	146	147	147
U.S.A.....	98	95	97	106	124	138	136	139	146	186	184	182	182
United Kingdom.....	104	104	121	124	119	122	124	126	124	124	124	124	124
Australia.....	103	109	110	113	116	125	122	123	123	124	124	124	124
<i>Clothing:</i>													
Canada.....	101	101	109	116	120	121	122	126	126	131	132	132	132
U.S.A.....	102	101	102	107	124	130	139	146	160	157	177	178	180
United Kingdom.....	104	107	142	184	200	176	173	174	173	173	174	174	170
<i>Rent:</i>													
Canada.....	103	104	106	109	111	112	112	113	113	113	113	113	113
U.S.A.....	104	104	105	106	109	108	108	108	109	109	109	109	109
United Kingdom.....	101	102	103	103	103	103	103	104	105	106	106	106	106
<b>WHOLESALE PRICES—</b>													
<i>All Commodities:</i>													
Canada.....	105	100	110	120	127	133	136	141	142	145	145	148	153
U.S.A.....	98	96	98	108	123	128	129	131	150	175	176	179	179
United Kingdom.....	102	104	138	154	161	164	167	170	177	175	181	183	184
Australia.....	104	104	108	116	128	141	144	145	145	145	147	146	146
<i>Farm Products</i>													
Canada.....	103	90	94	102	119	137	150	153	156	157	159	160	160
U.S.A.....	90	86	89	108	139	161	163	169	196	177	221	224	224
United Kingdom.....	104	104	143	172	185	188	195	199	214	246	251	251	251

<i>Food:</i>								
Canada.....	98	106	119	130	136	138	142	148
U.S.A. ....	89	90	105	126	135	134	149	205
United Kingdom.....	102	139	154	166	168	166	166	166
<i>Manufactures:</i>								
Canada.....	99	107	117	119	122	124	129	136
U.S.A. ....	97	99	108	119	121	122	130	154
United Kingdom.....	105	127	141	144	147	150	165	171

(A) The sources of the data used in this table are: Canadian figures: the Dominion Bureau of Statistics; U.S.A. figures: the Bureau of Labour Statistics; United Kingdom cost of living: the Minister of Labour United Kingdom wholesale prices: the Board of Trade Australian figures: the Commonwealth Statistician.

TABLE VII  
SELECTED CANADIAN MONETARY AND BANKING STATISTICS  
(as at December 31)

	1937	1938	1939	1940	1941	1942	1943	1944	1945	1946
(millions of dollars)										
1. Bank of Canada and Chartered Bank Notes Held by Public.....	207	206	247	342	451	633	794	930	991	1,030
2. Total Bank Deposits Held by Public in Canada.....	2,282	2,394	2,594	2,672	2,938	3,172	3,645	4,285	4,928	5,760
3. of which: Demand Deposits.....	699	734	853	1,031	1,269	1,499	1,697	1,862	2,063	2,291
4. Notice Deposits.....	1,583	1,660	1,741	1,641	1,669	1,673	1,948	2,423	2,865	3,469
5. Total Volume of Money Held by the Public (1+2).....	2,489	2,600	2,841	3,014	3,389	3,805	4,439	5,215	5,919	6,790
6. Securities Held by Bank of Canada.....	189	191	232	574	614	998	1,260	1,491	1,856	1,921
7. Securities Held by Chartered Banks.....	1,411	1,463	1,646	1,531	1,759	2,293	2,940	3,611	4,038	4,232
8. Total Loans by Chartered Banks in Canada.....	938	1,006	1,141	1,148	1,202	1,199	1,205	1,303	1,525	1,642

TABLE VIII  
OTHER CANADIAN ECONOMIC STATISTICS  
ANNUAL FIGURES

	Calendar Years						
	1926	1928	1932	1937	1939	1945	1946
<b>Group I.—Comprehensive Indexes (1935-39=100)</b>							
Physical volume of business.....	87	103	69	107	107	213	184
Volume of manufacturing.....	89	100	66	109	105	249	188
Mining.....	55	65	59	104	118	157	142
Forestry.....	84	87	57	117	103	127	147
Carloadings.....	131	148	88	106	102	145	147
Electric power output.....	46	61	61	106	108	153	159
Employment.....	92	103	81	105	105	161	159
Retail sales.....	( <sup>3</sup> )	( <sup>3</sup> )	92	105	105	187	213
<b>Group II.—Price Levels (1935-39=100)</b>							
Wholesale prices.....	133	128	89	113	100	138	141
Farm product prices.....	140	141	68	122	90	153	156
Cost of living.....	122	121	99	101	102	120	124
Common stock prices.....	92	147	51	117	92	100	116
<b>Group III.—Gross Value of Production in Major Industries (\$ millions)</b>							
Agriculture.....	1,191	1,239	487	731	900	( <sup>1</sup> ) 1,683	( <sup>1</sup> ) 2,027
Forestry.....	556	586	267	494	466	( <sup>1</sup> ) 969	( <sup>1</sup> ) 1,147
Fisheries.....	73	71	34	51	53	( <sup>1</sup> ) 155	( <sup>1</sup> ) 168
Mining (including Smelting).....	277	313	234	663	663	( <sup>1</sup> ) 853	( <sup>1</sup> ) 934
Construction.....	424	571	267	390	373	544	( <sup>1</sup> ) 680
Manufacturing.....	3,101	3,582	1,980	3,625	3,475	( <sup>1</sup> ) 8,266	( <sup>1</sup> ) 7,939
<b>Group IV.—Foreign Trade and International Transactions (\$ millions)</b>							
Exports (gold excluded).....	1,277	1,364	498	1,012	936	3,267	2,339
Net non-monetary gold exports ( <sup>2</sup> ).....	30	40	70	145	184	96	96
Total exports, including non-monetary gold.....	1,307	1,404	568	1,157	1,120	3,363	2,435
Imports (gold excluded).....	1,008	1,222	453	809	751	1,586	1,927
Total trade.....	2,315	2,626	1,021	1,966	1,871	4,949	4,362
Export balance.....	+299	+182	+115	+348	+369	+1,777	+508
Net tourist receipts.....	53	79	65	79	68	83	87
Net interest and dividends going abroad.....	208	229	265	226	249	177	238

(<sup>1</sup>) Estimated.

(<sup>2</sup>) Adjusted for changes in stocks of earmarked gold. These figures were computed by the Bank of Canada on the basis of official trade returns.

(<sup>3</sup>) Not available.

TABLE IX  
OTHER CANADIAN ECONOMIC STATISTICS  
MONTHLY FIGURES

**Group II.—Price Level and Financial Factors—**  
(1935-39=100)

Wholesale prices.....	134	134	134	134	135	134	134	134	134	134
135	136	138	140	141	143	141	141	141	141	141
148	153	153	153	153	153	153	153	153	153	153
Farm product prices.....	145	147	147	147	148	151	152	149	152	152
154	154	154	154	155	158	159	155	155	158	158
159	159	160	160	160	160	160	160	160	160	160
Cost of living.....	119	119	119	119	119	120	120	121	120	120
120	120	120	121	122	124	125	126	126	127	127
127	127	128	128	128	128	128	128	128	128	128
Common stock prices.....	89	93	93	94	97	103	101	100	102	104
124	122	119	125	124	123	119	119	117	104	102
106	106	109	109	109	109	109	109	109	109	109
Bank deposits (d).....	216	213	211	214	229	236	225	222	229	252
250	246	248	248	249	249	249	251	253	257	270
266	266	270	270	270	270	270	270	270	270	270
Active currency circulation (d).....	468	479	484	479	481	488	497	506	514	507
495	497	503	507	504	506	508	511	518	522	522
515	515	516	516	516	516	516	516	516	516	516

**Group III.—Other Significant Factors**

Exports (e) (\$ millions).....	230	301	312	315	323	283	295	221	228	235
189	153	178	178	197	167	189	243	170	204	232
209	209	182	182	182	182	182	182	182	182	182
Imports (e) (\$ millions).....	130	112	132	133	144	146	139	128	122	134
140	117	140	161	164	158	162	163	156	186	198
173	173	177	177	177	177	177	177	177	177	177
Net non-monetary gold exports (f) (\$ millions).....	9	8	10	7	10	5	8	7	8	10
1945	9	10	10	7	10	8	7	7	9	6
1946	9	9	7	7	10	8	8	7	8	7
1947	9	7	7	7	10	8	8	7	9	6
Construction contracts awarded (\$ millions).....	12	13	20	34	38	59	51	41	42	45
1946	27	33	58	76	82	66	68	50	45	48
1947	45	53	53	53	53	53	53	53	53	53

(a) Indexes seasonally adjusted unless otherwise indicated.

(b) As at first of month. 1926=100.

(c) Unadjusted.

(d) Based on daily average figures; index unadjusted.

(e) All gold excluded; includes exports of foreign produce.

(f) Adjusted for changes in stocks of earmarked gold. These figures were computed by the Bank of Canada on the basis of official trade returns.





